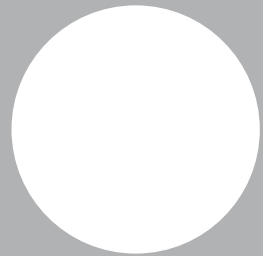




Appointments
Commission

ANNUAL REPORT AND ACCOUNTS
2006-2007





**Appointments
Commission**

**ANNUAL REPORT AND ACCOUNTS
2006-2007**

NHS Appointments Commission (six months to 30 September 2006)
Presented to Parliament pursuant to Paragraph 6(3), Section 232,
Schedule 15 of the National Health Service Act 2006.

Appointments Commission (six months to 31 March 2007)
Presented to Parliament pursuant to Section 22(4),
Schedule 4 of the Health Act 2006.

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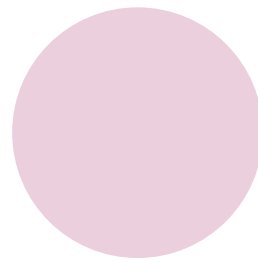
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SECTION ONE
Annual Report
2006-2007

A message from the Chair



Rt. Hon Alan Johnson MP
Secretary of State
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

Dear Secretary of State

I am writing to account to you for the sixth year of operation of the Appointments Commission.

This has been a momentous and challenging year for the Commission. On 1 October, following Parliamentary approval, we entered a new era as an executive non-departmental public body. We are grateful for this vote of confidence in the effectiveness of the organisation and for your continued support.

This is also my first year as Commission Chair and I would like to take this opportunity to pay tribute to my predecessor, Sir William Wells.

Sir William has guided the Commission since it was first established in 2001 and was instrumental in creating the well-respected and successful organisation we have today. Indeed, the credit for the smooth transition to our new role must go to Sir William, to former chief executive Roger Moore and to the Commission's outgoing Board. I would like to put on record my sincere thanks to each of them for the excellent job they have done in creating a firm foundation for the Commission's future.

I would also like to pay tribute to the sterling efforts of the Commission's staff. In addition to coping with the change in status, they have dealt with an enormous workload, appointing new boards for almost all of the Primary Care Trusts in England and making a record 2,230 appointments.

Whilst the NHS remains our primary and largest customer, we have also taken steps this year to further extend our service to other Government

Departments, winning contracts for the Department for Environment, Food and Rural Affairs, the Home Office and the former Department for Constitutional Affairs. We are developing this aspect under our new powers.

Without doubt we have come a very long way since our inception in 2001. We have put in place robust procedures for 'cradle to grave' support: appointing candidates, training them and mentoring them in their new roles. We have established a reputation for fair and open recruitment, high quality service and efficiency.

But now we find ourselves on the cusp of change. I was appointed Chair on 1 April 2007, along with a new Board and Commissioners. Our task moving forward is to ensure that the Commission's search for candidates takes in the widest possible talent pool. Equality and diversity must always be at the forefront of our thinking and we are committed to ensuring that the appointments process is transparent and customer-focused. We have an exciting year ahead.

Finally, there is one more group of people left for me to thank. The Black and Minority Ethnic Advisory Group and the Disability Advisory Group have done an excellent and very important job for the Commission. This is their last report and we are grateful for the help and advice they have provided over the years. They now hand the baton on to our new Diversity and Equality Group.

I commend this report to you.

A handwritten signature in blue ink that reads "Anne Watts". The signature is fluid and cursive, with the first name "Anne" and the last name "Watts" clearly distinguishable.

Anne Watts CBE
Chair

Introduction from the Chief Executive



In presenting this report I must firstly pay tribute to the work of my predecessor as chief executive, Roger Moore. As a senior advisor to Ministers, it was Roger who developed the idea of an Appointments Commission and who oversaw its creation. Fittingly he became its first chief executive and worked tirelessly to develop the organisation and expand its remit. Before his retirement in December 2006, Roger guided the Commission through its busiest and most difficult year and delivered an outstanding performance. It is a privilege to present this report on his behalf.

During the year our key client, the NHS, underwent a major reconfiguration which affected Strategic Health Authorities, Primary Care Trusts and Ambulance Service Trusts. It was the Commission's role to appoint non-executive board members for each of these newly formed organisations within a very tight timescale. It was an enormous challenge and one to which I'm pleased to report our staff rose magnificently.

The NHS reorganisation also meant a reorganisation for the Commission to reflect a future reduction in workload. Some hard decisions had to be made as we reduced headcount and closed our London office, consolidating all our operations in Leeds. It is to the credit of staff in both offices that they maintained a high level of service throughout this change. I would particularly like to thank those staff from our London office who continued to show total commitment to the Commission's work despite facing redundancy.

Halfway through the year Parliament extended our role to that of a non-departmental public body (NDPB). Because of this change in our legal status, this Annual Report includes two sets of financial accounts, covering the periods before and after we became an NDPB. I believe the confidence shown in the Commission by Parliament in extending our role reflects the respect in which the organisation is held for the efficiency, effectiveness and professionalism of

its operations. We have much to offer a wider range of Government Departments and public bodies and look forward to doing so.

We are now entering a period of transition as we restructure the Commission in preparation for our new role. Our aim for the new board of executive and non-executive directors is to be a model of good governance. We have created a client services team to work more proactively with the chairs and boards of NHS organisations, ensuring that they have the boards and good governance required and that we deliver the services our customers want to the high professional standards required for public appointments. Our central Government team is winning an increasing range and number of clients outside the NHS, including Foundation Trusts.

We have started to review the full range of services we provide to the Department of Health and the NHS. We are involving our stakeholders in this review and I am grateful for their time and openness in helping us reflect, learn and improve. This partnership bodes extremely well for the future. We have made some changes in the light of feedback received so far, including changes to the way we advertise opportunities, resulting not only in increased efficiency but also reaching a far wider pool of high quality potential applicants. Our aim is to develop a full range of proposals for improving our services by the autumn and to use this work in developing and expanding the services we provide to other Central Government Departments and their NDPBs.

With a strong foundation and a dedicated and hard-working team, I am confident that we can build a flexible, cost-effective and customer-focused organisation which will be able to meet the changing needs of all our clients.

A handwritten signature in blue ink that reads "Susan Atkins". The signature is written in a cursive, flowing style.

Susan Atkins
Interim Chief Executive

The current Board and Commissioners

Profiles

Anne Watts CBE – Chair

Anne Watts is chair of the Independent Panel on Race Equality for the NHS and a member of the School Teachers' Review Body. For the last two years she has been employer's representative on the steering group for the new Commission for Equality and Human Rights.

A leading figure in diversity, recruitment and workplace development issues, with a strong track record across the private, public and voluntary sectors, Anne has had executive roles relating to diversity and workforce in Business in the Community, HSBC and Natwest Bank. She currently serves on the boards of Greater London Enterprise, Opportunity Now, Race for Opportunity and the Open University and was an Equal Opportunities Commissioner from 1989 to 1995. She currently holds no other Ministerial Appointments. Anne has declared that she has not undertaken any political activity in the last five years.

Susan Atkins – Interim Chief Executive

Susan Atkins is on secondment from the Home Office, where she is a Director. She has had a varied career, qualifying as a solicitor in local government, spending 12 years as a law academic and as a public servant for the past 17 years. A senior civil servant since 1996 in a number of Government Departments, she is also an experienced NDPB chief executive. Until last year she was the first CEO of the Independent Police Complaints Commission and has been Deputy and Acting Chief Executive of the Equal Opportunities Commission.

Susan has a long-standing interest and track record in diversity and equality issues and has had a number of key equality posts. As Director of the Women and Equality Unit in the Cabinet Office, she led the development of equality policy across government. She is a non-executive director of the Quality Assurance Agency for Higher Education.



Back row standing (left to right): Penny Bennett, Margaret Scott, Janice Scanlan, Bob Nicholls, David Cain, Lynn Shadford, Mike Taylor, Miranda Hughes

Front row seated (left to right): Gareth Hadley, Susan Atkins, Anne Watts, Chris Dye

The Board of the Appointments Commission from 1 April 2007

Chair	Anne Watts
Interim Chief Executive	Susan Atkins
Non-Executive Director	David Cain
Non-Executive Director	Miranda Hughes
Non-Executive Director	Bob Nicholls
Non-Executive Director	Margaret Scott
Non-Executive Director	Mike Taylor
Director of Appointments	Janice Scanlan
Director of Marketing and Training	Chris Dye
Head of Finance	Lynn Shadford

Current Commissioners from 1 April 2007:

Penny Bennett	South West
Gareth Hadley	East of England and East Midlands
Miranda Hughes	North East and Yorkshire and the Humber
Bob Nicholls	London
Margaret Scott	South Central and South East Coast
Mike Taylor	North West and West Midlands

Penny Bennett – Commissioner for the South West

Penny Bennett became a Regional Commissioner in 2003. She has a professional background as a solicitor in the private sector. She was an NHS non-executive director for the East Gloucestershire NHS Trust (1994 – 1998) and then its chairman (1998 – 2002). She was then appointed a non-executive for the Avon, Gloucestershire and Wiltshire Strategic Health Authority and was vice chair (2002 – October 2003).

She is a group board member of the Hanover Housing Association where she is also chair of the Audit Committee. Penny is also an Independent Member of the Standards Committee for Cotswold District Council. She has declared that she is not politically active.

David Cain – Non-executive director

David Cain was appointed as a non-executive director and chair of the Audit Committee in April 2007. He is a chartered accountant and currently works as a partner at DAP Consulting; he was previously a partner at Deloitte and Touche. He has considerable practical experience

in the Health Service having spent four years seconded into senior management positions with the acute and general sectors. David also spent five years as vice chairman at Northwick Park Hospital, one of the largest NHS Trusts in North East London. He has declared that he is not politically active.

Chris Dye – Director of Marketing and Training

Chris Dye has worked in either the NHS or the Department of Health for over 28 years in a variety of roles. He was initially an NHS accountancy trainee, becoming regional headquarters accountant for the Mersey Regional Health Authority in 1990. Other roles have included hospital manager for a large acute hospital and patient and public involvement lead for the North West region. For over 12 years Chris has been involved in the recruitment and training of chairs and non-executive directors both regionally and nationally, most recently introducing a staffing structure and co-ordinated programme of development across the country.

Gareth Hadley – Commissioner for East of England and East Midlands

Gareth Hadley became a Regional Commissioner in April 2007. Gareth was the Director of Personnel at Her Majesty's Prison Service from 1999 to 2006. Prior to this he worked as a consultant in HR between 1997 and 1999 and from 1989 to 1997 he was Employee Relations Director for British Rail. He is currently a Visiting Fellow at Kingston University and a member of the CIPD Employee Relations Panel. He has declared he is not politically active.

Miranda Hughes – Non-executive director and Commissioner for the North East and Yorkshire and the Humber

Miranda Hughes is a chartered psychologist by profession. Over the past 15 years she has held a range of public appointments in the education, health and criminal justice sectors. Since April 2001 she has served as the chair of the West Yorkshire Probation Board. She was the chair of Connexions West Yorkshire (2001-2003) and a non-executive director with Leeds Health Authority (1996-1999) and also for Leeds East Primary Care Group (1999-2001). Miranda chaired the Appointments Commission's Audit Committee until the end of March 2007.

Miranda began her professional career as a lecturer in psychology at the University of Leeds. She moved into the private sector as the head of Research and Planning with Kidds Advertising and subsequently to KPMG as a management consultant, before establishing her own consultancy company. She has declared that she is not politically active.

Bob Nicholls CBE – Non-executive director and Commissioner for London

Bob Nicholls has 35 years' experience in the NHS, working as a manager at hospital, district and regional levels. He is a Fellow and past president of the Institute of Healthcare Management and was awarded the CBE for services to health care in 1995. From 1988 to 1993 he was the chief executive of Oxford Regional Health Authority and from 1993 to 1996 the executive director of the London Implementation Group and a member of the NHS Executive.

Since April 1996, Bob Nicholls has been an independent health sector consultant, both in the UK and overseas. He was a consultant adviser to the British Council and, until 2003,

was the senior non-executive director of Nestor Healthcare plc. From 2003 to 2005 he was chairman of the National Clinical Assessment Authority.

Bob served as a lay member of the General Medical Council from 1996 until 2005, serving as chairman of the Preliminary Proceedings Committee and as a member of the Standards and Fitness to Practice Committees. He continues as a member of the Clinical Education Committee of Oxford Medical School. He has declared that he is not politically active.

Janice Scanlan – Director of Appointments

Janice Scanlan has had a long career as a civil servant, serving in a number of Departments, including the Inland Revenue and the Benefits Agency. Janice moved to the Department of Health in 1982, where she served in a number of roles including IT and information management and Ministerial briefing. In the last ten years, she has had responsibility for the recruitment of lay members to health boards. She ran the first ever national recruitment campaign for public bodies, which resulted in 11,000 expressions of interest.

Janice was instrumental in the establishment of the Commission, which she joined at its inception in 2001. She is an expert in public appointments, particularly in the legislation surrounding them, and is experienced in dealing with Departmental and Ministerial priorities.

Margaret Scott – Non-executive director and Commissioner for South Central and South East Coast

Margaret Scott was appointed as non-executive director and Regional Commissioner in April 2007. She is an independent board member and chairman, widely experienced in health, social housing and education. She has expertise in governance, the management of risk and organisational performance, and the leadership of organisations undergoing major change. She was latterly the chair of East Hampshire Primary Care Trust until September 2006. Margaret has declared she is not politically active.

Lynn Shadford – Head of Finance

Lynn Shadford qualified as an accountant in a large firm of chartered accountants and then spent time in their audit and exam training departments. She has worked in the NHS for over 10 years with experience within the local FHSA, Health Authority and PCT, before moving to the Appointments Commission in 2002.

Mike Taylor CBE TD DL – Non-executive director and Commissioner for the North West and West Midlands

Mike Taylor became a Regional Commissioner in 2001. He was vice chair of the Commission until March 2007, is a former Audit Committee chair and chairs the National Training Board.

Mike had a management career with Shell in the UK and overseas from 1969 to 1991. He was: chief executive of the Management Charter Initiative, then National Assessor and Chief External Verifier for Investors in People (IIP) until

2001; chairman of the National Artillery Association until 2003; chairman of the Council of Reserve Forces and Cadet Associations (and thus a member of the Land Command Board and its Audit Committee) until 2004 and vice chairman of West Cheshire College until 2004.

He is currently: chair of West Chester Regeneration Board (and on the Chester LSP); chair of Chester Aid to the Homeless (CATH); Honorary Colonel Commandant of the Royal Regiment of Artillery and Deputy Lieutenant of the County of Cheshire. He has declared that he is not politically active.

About the Commission

Background

The Appointments Commission was established on 1 April 2001 with a remit to take over from health ministers the statutory duty of appointing chairs and non-executives to all local NHS boards.

The Commission was also charged with ensuring that chairs and non-executives had annual performance appraisals, received proper training and were given full support for their board work.

In addition, from April 2003 the Commission was formally directed to take responsibility for all ministerial appointments to Special Health Authorities.

From November 2003 it was also empowered through the Health and Social Care (Community Health and Standards) Act 2003 to make appointments on behalf of ministers to the Department of Health's non-departmental public bodies (NDPBs).

On 1 October 2006 the Commission itself became an executive non-departmental public body. This enabled the Commission to undertake work from other Government Departments and non-departmental public bodies.

Organisation

The Commission currently consists of a board chaired by Anne Watts, which has up to four executive and five non-executive directors.

The Commission has 44 staff, mainly based at its office in Blenheim House, Leeds. Seven employees who support training activities are based at Strategic Health Authority sites in England.

The Commission's Health and Social Care Appointments Committee is responsible for making appointments to NHS and Department of Health bodies. This committee is made up of the Chair, Chief Executive and six Commissioners who have local responsibilities across regions of England. Commissioners who sit on the

Committee are appointed by the Secretary of State for Health and four of them also sit as non-executives on the Commission's board.

The Commission is committed to providing an environment where equality of opportunity is truly available to all. It has adopted an Equal Opportunities Policy which aims to ensure that, in their relationship with the Commission as employee or applicant, people will be treated equally irrespective of sex, marital status, age, sexual orientation, disability, race, colour, nationality, ethnic or national origin, or religion. As a public body the Commission has adopted race, disability and gender equality schemes and will be working towards a single equality scheme by the end of 2007.

The work of the Commission

The Commission's main task is to ensure excellence in the contribution that chairs and non-executives make to NHS and health-related boards. There are four main duties:

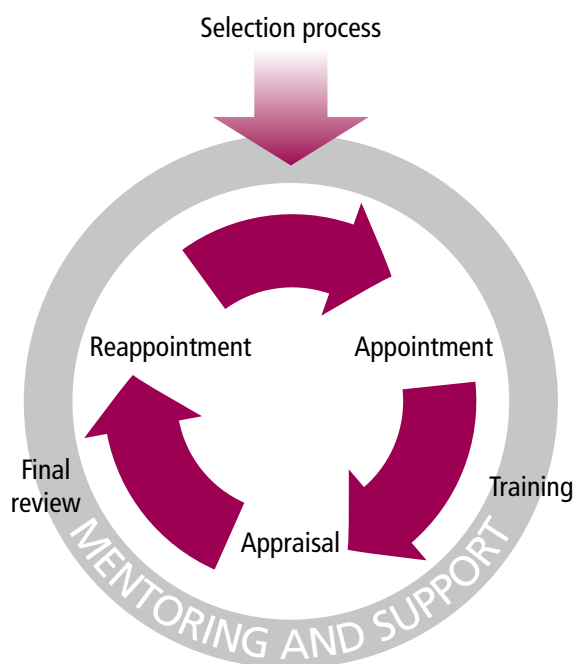
Appointments

The first is the task of appointing the right people. These are people who have the ability to lead and govern wisely, who have the skills and vision to make a difference, and who care passionately about the healthcare their community needs and wants. The Commission's recruitment approach should actively encourage them to come forward from as wide a cross-section of the community as possible. Effective and transparent selection procedures ensure the right candidates are appointed.

Training

Few appointees come to the NHS with a full understanding of its challenges and complexities and it is, of course, a constantly changing environment. The Commission ensures that chairs and non-executives receive induction and follow-up training to provide essential knowledge, skills and the ability to work together constructively with their board.

The appointment lifecycle



Working in partnership with the ten Strategic Health Authorities and trusts in their region, the Commission facilitates, supports and co-ordinates the provision of training and development activities. The Commission also undertakes some training itself, including induction training and working with partners such as the Healthcare Financial Management Association (HfMA).

Performance review

Regular feedback on performance is essential to enable chairs and non-executives to maximise contributions to their board. The Commission operates an annual review process which is supportive but hard-edged. It enables reviewers to give credit for good performance, to identify where skills need to be developed and to be frank about poor performance.

The Commission has the power, as a last resort, to remove chairs and non-executives whose performance is not up to the required standard.

Mentoring

Being a chair or non-executive is a great responsibility which can be lonely, difficult and daunting. The Commission works to ensure that people appointed feel supported through semi-

formal and informal networks of their peers. Commissioners also provide pastoral support when needed.

These principles apply equally to other public appointments as the Commission is increasingly providing services to other clients across government.

Accountability

... to the Secretary of State and Parliament

The Commission is accountable to the Secretary of State for Health, and to Parliament, for the delivery of its objectives and for the money it spends.

It can be called upon to account to Parliamentary Select Committees and has given evidence to the Health Select Committee and the Public Administration Select Committee.

The Commission recognises that MPs have a legitimate interest in the people who run their local NHS and aims to keep them informed about vacancies and new appointments to their local boards.

... to the Commissioner for Public Appointments

The Commission is regulated by and works closely with the Commissioner for Public Appointments and her office (OCPA). The Commission must ensure that all appointments are made according to the OCPA Code. This code sets out the principles that underpin the way in which all public appointments should be made.

... to the public

The Commission holds public board meetings. Appointments are made by the Board's Health and Social Care Appointments Committee and because of the nature of this work, it is not appropriate to hold these meetings in public. To compensate for this, two of the OCPA's central panel of independent observers are invited to attend all Health and Social Care Appointments Committee meetings on an alternate basis. This means that there is always an independent observer when appointment decisions are made. The observers have provided a valuable source of advice and expertise.

Minutes of the public board meetings are available on the Commission's website. The Commission also presents this Annual Report at an annual public meeting.

The public, candidates and appointees can have confidence in the appointments made by the Commission. They are made on merit without any political influence or involvement in decisions.

Aims and objectives

The Commission's objectives for 2007/08 have been defined under both strategic and operational headings.

Strategic objectives:

■ Stakeholder review of the Commission's service provision

The Department of Health, and the NHS in particular, are and will continue to be our most important clients and the Commission must ensure that it provides the services they need now and in the future. The Commission will therefore undertake a comprehensive review of the full range of services provided to Department of Health clients.

■ Development of work for other Government Departments

The Commission's ambition is to become "the supplier of choice for Government Departments in the provision of recruitment, selection and support services for public appointments". The benefits of this approach to Government in terms of the spreading of good practice, improving the quality and diversity of candidates for all public appointments and acting as a catalyst to improve the leadership and governance across public bodies are considerable, but need to be highlighted to potential clients.

■ Review of the Commission's staffing structure

During 2007, the Commission will be reviewing

its organisational structure to ensure it is appropriate to deal with the evolving needs of the organisation and its clients.

Operational objectives:

■ Recruitment, selection and appointment to local NHS bodies and the Department of Health's national bodies

The recruitment and selection process for local NHS bodies remains the central task for the Commission. In 2007/08 the Commission aims to tackle a number of key areas relating to this work to improve the service provided whilst maintaining and improving levels of customer and stakeholder satisfaction. This includes streamlining the process, rationalising advertising expenditure and increasing board diversity.

■ Departmental and Ministerial support

As the Department of Health's experts in public appointments and related issues, the Commission plays an increasing role in this area. The Commission aims to maintain a timely and efficient service both in reacting to questions raised, and in its proactive role in the development and implementation of policy.

■ Board support activities

The Commission is committed to supporting people through training and appraisal once they have been appointed. As well as continuing its existing programme of training, the Commission will be involved in the design of an integrated strategic approach to leadership development, which includes 'whole board' training.

■ Delivery of services to other clients

The Commission will investigate the potential to provide recruitment and support activities to other client groups, such as Foundation Trusts and Other Government Departments. Ways of communicating and marketing to these groups will be developed.

Operations review

Highlights at a glance:

- Over 2,200 appointments and re-appointments made
- Over 18,000 applications handled
- New approach to recruitment
- Record number of induction courses held
- Working with new client groups

Most of this activity related to the reconfiguration of the NHS, which saw the number of Strategic Health Authorities drop from 28 to 10, the number of Ambulance Service Trusts fall from 31 to 11 and the number of Primary Care Trusts reduce from 302 to 152. New boards had to be appointed to all of these new bodies – nearly 1,200 posts in all.

Appointments

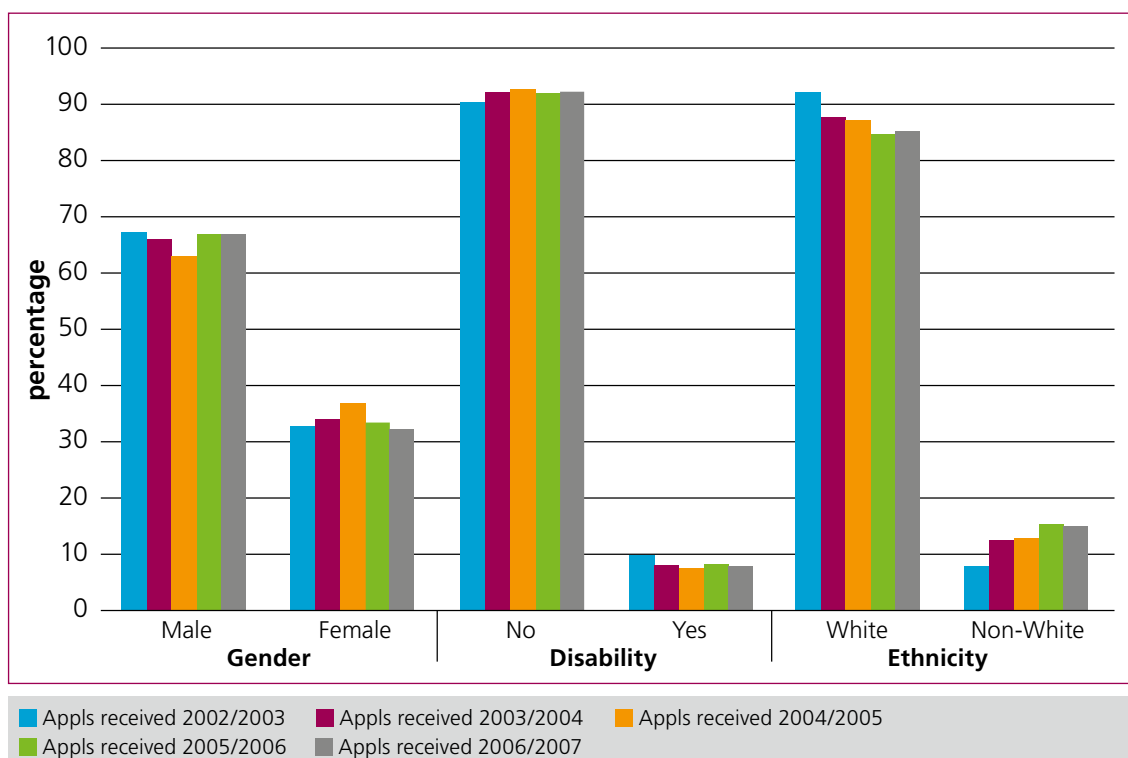
The 2006/07 Business Plan set a target of 1,900 appointments and re-appointments across both local and national Department of Health appointments for the year. However, the Commission actually made 2,230 appointments and re-appointments – the highest number in any single year since the Commission was established in 2001.

Recruitment

The Commission received 18,059 applications in 2006/07 – 213% more than in 2005/06. The chart below details the percentage of applications received in each year since 2002/03, analysed by gender, ethnicity and disability.

This illustrates that while the volumes of applications have varied hugely, the diversity of applications received has remained largely the same. However there have been significant increases in the number of applications received from people from the black and minority ethnic communities.

Analysis of applications received



People from Black and Minority Ethnic Communities in post at 1 April 2007

	Target	% of those in post	% of those in post
Chairs	8%	8.55%	+6.87%
All posts	At least 10%	12.16%	+21.6%

Disabled people in post at 1 April 2007

	Target	% of those in post	% of those in post
Chairs	2%	4.12%	+106%
All posts	6%	5.43%	-9.5%

Women in post at 1 April 2007

	Target	% of those in post	% of those in post
Chairs	44%	35%	-20.45%
All posts	50%	37.72%	-24.56%

Diversity of those appointed

The proportion of those appointed to local NHS bodies from black and minority ethnic communities during the year remained above the 10% target at 12.16%. The proportion of disabled people appointed was close to the 6% target at 5.43%. However, the proportion of women appointed fell to 37.72%, a significant shortfall from the 50% target.

There was a slight decrease in the number of chairs appointed from BME communities compared with April 2006, but an increase in the number of people from BME communities appointed overall.

The same is largely the case in relation to the appointment of disabled people. The percentage of chairs who declared that they were disabled was largely the same as in 2006, but the overall number has dropped. This is likely to be as a result of the reconfiguration exercise, which required all those appointed to complete new application forms (when people are less comfortable declaring disabilities). A data validation exercise later in 2007 will check whether these figures are a true representation of the current position.

The proportion of women appointed during the year has fallen significantly. This is of particular concern to the Commission, which has seen the

percentage of women drop from a high of 47% in 2002. This area has been identified as a priority in the 2007/08 Business Plan. It will also be a key agenda item for the Diversity and Equality Group which will be established in the summer of 2007 (taking over the work previously undertaken by the Black and Minority Ethnic and Disability Advisory Groups – see page 26).

2006 saw the introduction of the age discrimination legislation. The Commission has never applied an age limit to any of the appointments it makes. The chart below gives the age breakdown of those in post at 1 April 2007.

Age	% in post
< 30	0.38
30 – 39	4.62
40 – 49	19.57
50 – 59	38.46
60 – 69	34.18
> 70	2.79

Age profile of those in post at 1 April 2007

The age profile of those appointed has remained largely the same since the Commission was established. In 2006/07 the Commission made 131 appointments of people aged over 70 – demonstrating our commitment to harnessing the valuable contribution people of all ages can make to the NHS and the wider health community.

Advertising strategy

In recent years the Commission has spent over £1m per annum, or nearly 25% of the Commission's Grant in Aid (GIA), on advertising local NHS posts. With increases in the costs of terrestrial media, increases in the size of the bodies to which the appointments are made and the reduction in the number of opportunities for composite advertising, the time was right for the Commission to review its advertising strategy.

During 2006/07 the Commission introduced its 'Shared Leadership' advertising strategy. This brought nearly 80 vacancies into one comprehensive national advertising campaign, supported by a dedicated website. The campaign resulted in over 900 applications – which is a 12% increase in the overall number of

applications received per post. This was a particularly significant result as many of the posts included in this campaign had already been advertised on at least one previous occasion. A second campaign is planned for May 2007, after which there will be a full evaluation of the effectiveness of this new approach as part of the Commission's stakeholder review. However, early indications are that the campaign has attracted a high calibre of applicant.

Independent assessors

The Appointments Commission is responsible for making a significant proportion of the public appointments that fall within the remit of the Office of the Commissioner for Public Appointments (OCPA) and as such requires the services of the largest pool of independent assessors (IAs). The Commission has nearly 100 assessors – more than five times the number working for the OCPA.

The latest cadre was appointed in May 2006, in time for them all to attend training courses to prepare them for their work on the appointments arising from the reconfiguration of the NHS.



shared leadership
NHS Non-Executive Directors

If you've gained senior level expertise in the public, private or voluntary sector, we can offer exceptional opportunities to put your talents to even better use by making a positive difference to the lives of people in your community.

Becoming a non-executive director of your local NHS organisation needs dedication and the commitment to bring us your proven experience for, typically, just two and a half days each month.

It's a chance to influence, shape and drive the future of healthcare in your community. For more information and to apply or register for vacancies in your area, please visit www.sharedleadership.co.uk or alternatively tel: 0870 240 3802.

Remuneration will range from £5,800 to £12,500 for, typically, two and a half days of your time each month. The closing date is 26th March unless otherwise stated on the specific requirements for the post.

 **Appointments Commission**

See www.appointments.org.uk or www.sector1.net for more public appointments being filled by the Appointments Commission



An example of the 'Shared Leadership' advertising campaign

“I have found my recent experiences with the Commission team very good. They have been extremely helpful and responsive to our individual needs and I have not felt we were just part of a ‘process,’ which has been of benefit to the Trust. We have also had a speedy response when we needed it.”

Mavis Wareham, Chair, St Helens and Knowsley NHS Trust

Selection criteria

In 2006/07 the Commission agreed new selection criteria with the Secretary of State for Health. These built on the competencies identified for the role in question, but also identified the range of skills and expertise required by chairs and the non-executive team to be able to add value to the work of the board.

Between them the non-executive team should have the following skills:

- Finance experience in a large and complex organisation with the capacity to chair the Audit Committee and, ideally, a financial qualification;
- Governance experience; bringing experience of strategic planning, financial, risk and performance management;
- Commercial experience at senior level; bringing both governance and private sector expertise;
- Voluntary sector or community service experience, with experience of regeneration, community development or service provision for disadvantaged groups;
- Specific expertise relating to the work of the organisation, such as consumer/customer focus, patient advocacy, market management, commissioning, contract management, local government, economic analysis and change management.

These new criteria were rolled out for appointments to all local boards in 2006/07.

Internal restructuring

While 2006/07 was an exceptionally busy year for the Commission, the result of the NHS reconfiguration was a dramatic reduction in the number of organisations, and consequently the number of appointments, that will fall within the Commission’s remit in future years.

The Commission responded to this reduction in its core business by closing its London office at the end of March 2007. In the run up to this, the work of the London office was transferred to the Leeds office in a managed way so that there was no discernable disruption to the delivery of services to the Commission’s clients.

Future plans

Since becoming an NDPB on 1 October 2006, the Commission can now provide support to any Ministers or officials in any Government Department in relation to appointment, training or support of public appointments.

In 2006/07, the Commission provided support to the Home Office, the Ministry of Defence and the former Department for Constitutional Affairs across a range of public appointments. We will be looking for more opportunities to work with other clients in 2007/08 with the aim of increasing this area of the Commission's activities and will be working on our Business Development Strategy early in 2007/08.

In April 2007 the Commission commenced a stakeholder review to consider its functions and processes as they relate to NHS public appointments to ensure they are fit for purpose for the NHS.

The review will be overseen by a steering group of internal and external stakeholders. It will consider various work strands, analysing the current position and developing proposals for change and improvement. These work strands include an evaluation of assessment centres, review of recruitment, selection and appointment processes, and a review of training, support and appraisal.

Training

The reconfiguration of the NHS during the year had a major impact on the work of the Commission's training team. Changes to Strategic Health Authorities, Primary Care Trusts and Ambulance Services created a huge demand for training and particularly for induction for the newly appointed chairs and non-executives.

The priority in the early part of the year was to create new Regional Training Boards, or Training Reference Groups as they are now known, to reflect the new boundaries and requirements of the Strategic Health Authorities (SHAs).

The new SHA Chairs agreed a structure of regional training, supported by the Commission. This would be led by the local SHA chair or their delegated representative. Although structures differ between SHA areas, all will review training needs and plan and design a variety of local training solutions.

The National Training Board remains in existence, meeting three times a year, as a forum for discussing overall training strategy and sharing best practice amongst the SHAs. The Board is chaired by Mike Taylor, Regional Commissioner for the North West and West Midlands.

Although the focus was on induction courses for the newly reconfigured NHS, the team still provided close to 2,000 'business as usual' training places during the year.

"Please do pass on my appreciation to your dynamic and focused team [...] who assisted us in ensuring that Croydon and Kingston Boards have a skill mix and ability to manage the challenges and opportunities facing PCTs over the next year."

Toni Letts OBE, Chairman, Croydon Primary Care Trust

Induction events

After a slow start to the year caused by the impending reconfiguration of the NHS, the Commission delivered a record number of induction courses. All the new non-executives and chairs of each of the new SHAs, Ambulance Service Trusts and PCTs had the opportunity to take part in two-day residential induction events organised in 17 separate locations throughout England. In all the training team planned, designed and delivered 22 separate events.

The induction programmes were tailored to meet the specific needs of the audience and included many innovative elements. Sessions on practice-based commissioning, the intelligent commissioning board, partnership working and the commercial directorate were all included, along with input from the chairs and chief executives of SHAs on national and local perspectives.

The Commission continued to provide on-going induction events for those parts of the NHS not affected by the reconfiguration. The training team worked closely with clients to ensure the induction courses were closely tailored to their needs.

The Commission has a successful track-record in providing training courses on aspects of finance for the NHS. The new Training Reference Groups have been reviewing requirements in the light of the restructure and an improved 'financial skills and audit' conference is planned for 2007.

A priority for the coming year is to continue to integrate the work of the training team into the Commission's other operational functions. This will ensure that training needs are more closely linked to an organisation's business objectives and performance targets and help individual boards to become more effective.

Training and development is a key strand in the Stakeholder Review.

Staff profile

During the year the Commission had staff based at its offices in London and Leeds, as well as a number of staff involved in training who were based at various NHS sites across the country.

The closure of the London office meant that seven employees were made redundant or took early retirement on 31 March 2007. Two further employees were on fixed term contracts in the London office that ended at that date and one member of staff returned to the Department of Health on the completion of a period of secondment.

At 31 March 2007 the Commission had 54 staff, of whom eight (15%) were on secondment to the Commission. Out of the total number of staff, 12 (22%) were male, and eight (15%) were from a black and minority ethnic background.

Following the closure of the London office, the number of employees was reduced to 44. Ten (23%) are male and four (9%) are from a black and minority ethnic background. Seven staff are on secondment to the Commission.

A gender equality strategy has been agreed and implemented and diversity amongst the Commission's staff will be considered by the new Diversity and Equality Group as part of its work in developing a new diversity and equality strategy.

Complaints

During the year the Commission received 63 complaints, which represents 0.35% of applications received. In 2005/06 the number of complaints received represented 0.54% of applications.

Six complaints were upheld wholly or in part, representing 9.5% of the total complaints received, compared to 22% in 2005/06.

One complaint was referred to the Office of the Commissioner for Public Appointments (OCPA) this year, compared to three last year and five in 2004/05. The complaint referred to the OCPA was not upheld.

Complaints about 'merit' (24) and 'openness and transparency' (35) remain the largest categories. Complaints in the category of 'merit' are mainly from applicants disappointed that they have not been short-listed for interview, or who disagree with the feedback they were given whether following short-listing or interview.

Complaints falling into the category of 'openness and transparency' are generally about process, i.e. poor treatment of their application, the information pack, adverts or selection criteria.

The response time for dealing with complaints is longer than last year. In 2006/07, 70.69% of complaints were sent a reply within the 20 working day deadline compared to 90.24% in 2005/06. The increase in appointments activity appears to have had an adverse impact on complaints handling. As part of its reorganisation, the Commission is putting in place new arrangements for complaints handling, including a review of the complaints' procedure and new mechanisms to learn from shortcomings and improve our services.

Case study

Institute of Directors' Programme

For the first time this year the Regional Training Boards in the North West and South West regions provided an Institute of Directors (IoD) development programme for chairs and non-executive directors.

Participants must complete a number of modules and pass an IoD examination before receiving a Diploma in Company Direction. The first four participants successfully gained their diplomas during the year.

A review of the programme showed that it was of significant value to participants and that their confidence in their role was enhanced. At an organisational level the benefits were an increased knowledge and understanding of board-level work, leading to the ability to challenge and to think strategically.

Working with other clients

Central Government contracts

During the year the Commission has continued to expand its client base in Other Government Departments and was particularly pleased to win repeat business from a number of clients.

The Home Office continues to engage the Commission to manage recruitment campaigns on a regular basis. In 2006/07 the Commission won the following repeat business:

Commission for Racial Equality (CRE)

In 2005, the Commission was engaged to recruit nine new Commissioners to the CRE. This was a challenging campaign, and not all the vacancies were filled. We ran a further campaign this year, targeting those areas where there had been little interest – in particular Wales, Scotland and Northern England. The campaign successfully identified candidates to represent Wales and Northern England, but unfortunately the Scotland vacancy remains unfilled.

Advisory Panel on Country Information (APCI)

The APCI considers and makes recommendations to the Secretary of State about the content of country information produced by the Home Office to help ensure that it is as accurate, balanced, impartial and up-to-date as possible. Following a successful campaign to recruit the chair of the panel in 2005, the Commission was engaged and successfully recruited three new panel members.

Animal Procedures Committee (APC)

The APC gives independent advice to the Home Office on the contentious issue of animal research. Following a successful campaign to recruit the chair to the Committee in 2005, Dr Jon Richmond at the Home Office spoke very positively about their experience: "It is essential to have this expertise, where independence is an issue and where a Government Department needs to own the process but receive good advice." The Commission was approached in 2006 to manage a further recruitment campaign and successfully recruited three new Committee members.

Case study

Independent Monitoring Boards (IMBs)

Independent Monitoring Boards perform a vital role, ensuring that while people are held in prisons and immigration removal centres they are treated fairly and with respect.

In this new Home Office contract, the Commission was engaged to recruit the non-executive president of the Boards' National Council. This was quite a challenge, given that the IMB was looking for a 3 day a week time commitment and offering no remuneration!

Undaunted the team rose to the challenge of finding a suitably qualified candidate with the right experience.

Anne-Marie Stephens from the Home Office said: "We had concerns about finding the right candidate for what is essentially a voluntary role, but we were very impressed with the calibre of candidates the Commission put forward for interview."



“When it came to holding a further recruitment round for Council on Tribunals posts, the decision to ask the Commission to run the campaign made itself. They already knew our business and are used to working within OCPA guidelines. We have not been disappointed – the responsiveness and level of service easily matched that of the earlier campaign, and the Council on Tribunals has now secured two high quality candidates who meet the criteria for the job.”

David Webb, Administrative Justice Division of the DCA

We also won repeat business from the former Department for Constitutional Affairs (DCA), now the Ministry of Justice, for the Council on Tribunals. The Council and its Scottish Committee keep under review the constitution and the working of tribunals and inquiries in Great Britain, seeking to ensure they are open, fair and impartial.

Following a successful campaign to recruit two members to the Council on Tribunals in 2005, the DCA approached the Commission again this year to run a campaign to recruit a further two members.

The following new contracts were won during 2006/07:

Defence Nuclear Safety Committee (DNSC)

The DNSC provides the Secretary of State for Defence with an independent source of expertise and advice concerning the safety of the Ministry of Defence nuclear programme. In our first contract for the MOD, the Commission ran a successful campaign to recruit a Chair and three specialist scientific members to the Committee.



Case study

Levy Board UK

As part of a restructuring of the current agricultural and horticultural levy boards, a new statutory levy board will come into effect on 1 April 2008. The new Board will have six subsidiary companies covering the following sectors: cereals and oilseeds, horticulture, English beef and lamb, English and Welsh pigs, potatoes and milk.

These UK sector companies will be responsible for developing strategies and delivery plans to meet the needs of the levy payers.

In the last quarter of the year, the Commission submitted the winning bid to Defra to manage the campaign to recruit approximately 80 representative and independent members to the Boards of the six sector companies. The appointments are expected to be made in July 2007.

Foundation Trust contracts

The Commission was also asked to manage the recruitment process for three Foundation Trusts during the reporting period – its first such contracts:

- Sheffield Teaching Hospitals NHS Foundation Trust manages the five adult hospitals in Sheffield. It approached the Commission for help in recruiting two new non-executives.
- Oxleas NHS Foundation Trust provides mental health services and learning disability services to people living in a number of south-east London boroughs. The Commission ran a campaign to recruit a non-executive to the Trust.
- County Durham and Darlington NHS Foundation Trust provides acute healthcare for a population of around 550,000. The Commission managed the recruitment of a non-executive to this Trust.



Susan Atkins
Interim Chief Executive

18 July 2007

Governance

Because of its change in status to a non-departmental public body on 1 October 2006, the Commission had two separate Boards during the year:

Board of the NHS Appointments Commission

1 April – 30 September 2006

Chairman

Sir William Wells

Chief Executive

Dr Roger Moore

East Midlands Regional Commissioner

Brenda Sills

Eastern Regional Commissioner

Rosie Varley

London Regional Commissioner

Bob Nicholls

Northern & Yorkshire Regional Commissioner

Miranda Hughes

North West Regional Commissioner

Mike Taylor

South East Regional Commissioner

Janardan Sofat

South West Regional Commissioner

Penny Bennett

Board of the Appointments Commission

1 October 2006 – 31 March 2007

Chairman

Sir William Wells

Chief Executive

Dr Roger Moore (to February 2007)

Interim Chief Executive

Susan Atkins (from 1 March 2007)

Non-executives:

Penny Bennett

Miranda Hughes

Janardan Sofat

Mike Taylor

Anne Watts (from 1 January 2007)

Director of Appointments

Janice Scanlan

Director of Corporate Affairs

Ruth Whitlam

Director of Marketing and Training

Chris Dye

Finance Manager

Lynn Shadford

Summary of Declarations of Interest

Susan Atkins

- Director of the Home Office
- Non-executive director of the Quality Assurance Agency
- Non-executive director of the Leadership Foundation for Higher Education

Penny Bennett

- Board Member – Hanover Group
- Board Member – Hanover Housing Association (Charitable Industrial & Provident Society)
- Director – Hanover Housing Association Charitable Trust
- Independent Member of the Cotswold District Council Standards Committee

Bob Nicholls

- Adviser on Clinical Governance to Clinovia Limited (unpaid)
- Lay member of Educational Policy and Standards Committee, Medical Sciences Board, University of Oxford

Janice Scanlan

- Mrs Scanlan's husband is a director of JSD Ltd. The Commission uses JSD Ltd for database development and support. During 2006/07 work carried out by JSD to develop existing databases and ongoing support totalled £5k.

Brenda Sills

- Governor, Grantham College of Further Education

Janardan Sofat

- Trustee Director Mencap
- Chair Designate, Kent Probation Board
- Director, AIS Wealth Management
- Trustee Director, Medway Racial Equality Council

Michael Taylor

- Chair, Chester Aid to the Homeless
- Honorary Colonel Commandant, Royal Regiment of Artillery
- Deputy Lieutenant, County of Cheshire

Rosie Varley

- Chair, General Optical Council
- Member, Mental Health Review Tribunal
- Member, Disability Benefit Tribunal
- President, West Suffolk MIND
- Member, St Nicholas Hospice Association
- Chair, Public Guardian Board (Dept for Constitutional Affairs)
- Chair, Skills for Health Eastern Region

Anne Watts

- Chair of Independent Panel on Race Equality for the NHS
- Member of the School Teachers Review Body
- Board member Greater London Enterprise
- Independent panel member on DTI steering group on diversity
- Association member BUPA
- Advisory group member Rare Recruitment

Sir William Wells

- Chairman, Council of the University of Surrey
- Member, General Council and Management Committee, King's Fund
- Vice President, Royal College of Nursing
- Vice President, National Association of Hospital & Community Friends
- Trustee of National Museum of Science & Industry
- Chair, Covenant Healthcare
- Director – Arc Fund Management Holdings Ltd
- Chair, Hillgate (220) Ltd
- Strategy advisor to Dr Foster
- Chairman, DH Commercial Advisory Board
- Trustee of Action Medical Research
- Chairman of A.D.L – a care home company
- Chairman, Pure Sports Medicine
- Chairman CMG Ltd

Ruth Whitlam

- Member of the Lord Chancellor's Essex Advisory Committee, North West Essex Sub-Committee
- Home Secretary's representative on the Selection Panel for Independent Members and Lay Justices of Essex Police Authority
- Chairman of the Independent Remuneration Panel for Uttlesford District Council
- Member of the Independent Remuneration Panel for Braintree District Council

The following board members have no relevant interests to declare:

Chris Dye

Miranda Hughes

Dr Roger Moore

Lynn Shadford

Advisory Group reports

In 2001, the Commission established two advisory groups to act as its 'critical friend' and provide advice and support on black and minority ethnic (BME) and disability issues. The groups have been very successful and the Commission is grateful to the membership for their commitment and sound advice. Their help has ensured that the Commission has not only met, but exceeded, its diversity targets in respect of the appointment of BME and disabled chairs and non-executives.

Both the Commission and the two groups believe that it is now timely to form a single group to embrace all aspects of the wider equality and diversity agenda. Together, the two groups have been considering how this might be taken forward to build on the sound foundations of their work. The chairs of both advisory groups are now working with the Commission to help to establish its new Diversity and Equality Group.

The following reports give a brief flavour of some of the groups' activities and achievements since 2002.

The Black and Minority Ethnic (BME) Advisory Group

In its first report to the Commission in 2001, the group made 27 recommendations about the recruitment and retention of BME chairs and non-executives which were broadly accepted. These included the organisation of regional networks for chairs and non-executives from BME communities, the circulation of advertisements to local Race Equality Councils and working towards the recruitment of more independent assessors from a BME background.

In 2003, the group hosted a successful 'open meeting' at the NHS Confederation conference. This gave an opportunity for members of the group to meet with other chairs and non-executives to discuss equality issues.

In 2004/05, the group advised on the production of a compliant Race Equality Scheme. It also had the opportunity to contribute to the revision of Department of Health guidance to boards to promote equality and diversity in the NHS.

The need for equality and diversity training for chairs and non-executives had long been championed by both advisory groups. The BME Advisory Group was pleased to comment on the content of the session on equality and diversity in chair and non-executive induction events.

In considering the implications of *Commissioning a Patient-Led NHS*, the group expressed concerns about maintaining diversity on the new NHS boards. Advice was given on the development of the Commission's advertising strategy to suggest ways in which applications could be attracted from members of the BME communities and BME professionals.

Disability Advisory Group

The first task of the Disability Advisory Group was to audit the selection and recruitment process to look for any barriers to the appointment of disabled chairs and non-executives and explore ways of removing or overcoming them.

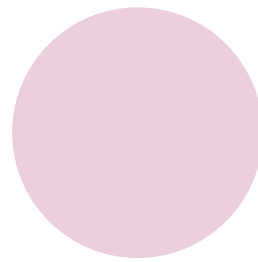
The group submitted 25 recommendations focusing on the gathering of information, the adoption of reasonable adjustments, training and the 'benefits barrier'. Most of the recommendations have been implemented and developed over the intervening years, but the question of the impact of remuneration on the receipt of income-related disability benefits remains unresolved.

In order to provide more information to disabled applicants, the group worked with the Department for Work and Pensions and the Cabinet Office to produce a leaflet for the information pack for all public appointments.

In 2003/04 the group was represented on the Commissioner for Public Appointment's Short-term Working Group on Disability and contributed to the resulting good practice guidelines.

The Commission operates an interview access scheme for disabled applicants. The group has monitored the operation of the scheme and proposed amendments so that interview access scheme candidates can better compete on merit, resulting in an increased opportunity for appointment.

The group also advised on the production of the Commission's Disability Equality Scheme. This includes an 'inclusion checklist' which the group commends to the wider NHS. The checklist is a way of ensuring that events (be they interviews, conferences or training days) are accessible to everyone. The checklist can be found as Annex D to the Commission's Disability Equality Scheme at www.appointments.org.uk/publications.asp.



SECTION TWO

Accounts for the six months
to 30 September 2006

Management commentary

The accounts for the six months ended 30 September 2006 have been prepared in accordance with the direction given by the Secretary of State in accordance with Section 232 (schedule 15, paragraph 3) of the National Health Service Act 2006 and in a format as instructed by the Department of Health with the approval of the Treasury.

Background

The NHS Appointments Commission was a Special Health Authority established on 1 April 2001 by the NHS Appointments Commission (Establishment and Constitution) Order 2001. Its main objective was to make appointments of chairs and non-executives to the boards of NHS Hospital Trusts, Primary Care Trusts and Health Authorities in England and other duties as directed by the Secretary of State, including appointments to national bodies sponsored by the Department of Health. The Health Act 2006 abolished the NHS Appointments Commission with effect from 1 October 2006 and replaced it with a new non-departmental public body called the Appointments Commission. Consequently accounts have been prepared for the six month period to the point at which the NHS Appointments Commission was abolished.

The Commission also provided a programme of training and development events for chairs and non-executives, these events were funded by a charge to every participating organisation. As this income was received for specific purposes, then any amounts collected that were intended to fund activities which were to be delivered in a future accounting period were deferred into that period.

Review of activities

During the six month period the Commission had a total expenditure of £3.1 million. The largest area of expenditure was the £2.6 million

that was spent in order to make appointments to NHS Trusts, Primary Care Trusts and Strategic Health Authorities. This work was funded by the Commission's resource allocation of £2.6 million and sundry income of £8k, leading to a breakeven position against the central allocation. The Commission received an allocation for the full financial year and the amount of this that has been allocated to the first six months is the amount required to break even. The remainder of the year's allocation is accounted for in the six months to 31 March 2007.

In addition £203k was spent on training activities, funded by the training levy. £340k was spent on making appointments to national bodies, funded by the bodies concerned.

An analysis of the Commission's net operating costs split between its main areas of work can be found in note 23.

The Commission had a cash allocation for the full year to match the resource allocation. The amount of cash drawn down in the six month period was £465k less than the resource allocation used. In a full year the amounts would be expected to be the same, but the high level of accruals and creditors at 30 September meant that the additional cash could not be drawn down as it would have meant large cash balances at the period end which is not good practice. The Commission is not permitted to set up a debtor balance for this difference as it represents part of our core allocation.

Consequently the large value of creditors without a corresponding debtor for cash due from the Department of Health to match the resource allocation distorts the balance sheet. This is a function of the mid-year cut off. The full cash amount was drawn down over the full year to match the resource allocation and so this anomaly was rectified by 31 March 2007.

During the period the Commission operated from offices in London and Leeds, although plans were in progress to close the London office in April 2007 due to the reduction in workload following the re-configuration of the NHS.

A summary of the Commission's activities for the full financial year 2006/07 and details of objectives for 2007/08 can be found in Section One of this report.

Financial standing

There have been no changes in the fixed assets of the Commission and there are no significant differences between market values and book values to be disclosed.

Pension costs and liabilities are dealt with as explained in Note 1.8 of the accounts.

Board members

The board members during the period were:

- Sir William Wells, Chairman
- Dr Roger Moore, Chief Executive
- Regional Commissioners:
 - Ms Penny Bennett
 - Ms Miranda Hughes
 - Mr Bob Nicholls
 - Mr Janardan Sofat
 - Mrs Brenda Sills
 - Mr Michael Taylor
 - Mrs Rosie Varley

Details of the remuneration of the senior management of the Commission can be found in the remuneration report (page 30). Senior management was defined to include those persons having authority for directing the major activities of the Commission and comprised the Commission's board members.

Payment of suppliers

The Commission was required to pay its non-NHS trade creditors in accordance with the Better Payment Practice Code. The target was to pay non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is later) unless other terms have been agreed with the supplier. Of the relevant invoices, 95% by number and 86% by value were paid within the target time.

Equal opportunities

The Commission is an equal opportunities employer and provides employment opportunities for all suitably qualified people regardless of age, gender, religion, ethnic origin or disability.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the National Health Service Act 2006. The audit certificate is on pages 36 to 37. The cost of the audit was £15,000.

So far as I am aware, there is no relevant audit information of which the NHS Appointments Commission external auditors are aware. I have also taken steps to make myself aware of any information relevant to the audit and to ensure that the auditors have been informed accordingly.

Susan Atkins
Interim Chief Executive

18 July 2007

Remuneration report for the six months to 30 September 2006

The NHS Appointments Commission, as an NHS body, is required to prepare a report containing information about the remuneration of senior managers, who are defined as those who have authority for directing or controlling the major activities of the Commission. For the NHS Appointments Commission this group comprises the Chairman, Chief Executive and Commissioners.

Remuneration policy

The Chairman and Regional Commissioners are remunerated at an annual rate that is set by the Department of Health. In addition, payment at a daily rate approved by the Department of Health is made to Commissioners for their participation in campaigns that are additional to the work expected and remunerated within the annual rate. In the details of remuneration shown opposite this additional work is reported in the 'other remuneration' column.

The Chief Executive's remuneration is reviewed by the Remuneration Committee each year.

Appointment terms

The Chairman and Commissioners are appointed for fixed terms. Details of their current appointments are detailed below:

	Term	From	To
Bennett, P	1	01/11/2003	30/09/2006
Hughes, M	1	11/10/2004	30/09/2006
Nicholls, B	1	01/04/2005	30/09/2006
Sills, B	2	01/11/2004	30/09/2006
Sofat, J	1	01/06/2004	30/09/2006
Taylor, M	2	01/10/2003	30/09/2006
Varley, R	2	01/11/2004	30/09/2006
Wells, W	2	01/04/2003	30/09/2006

The appointments of the Chairman and Commissioners ceased on 30 September 2006 when the legal status of the Commission was changed. The Chairman and Commissioners were given short-term appointments to the new organisation until 31 March 2007.

For the Chairman and Commissioners there is no provision for compensation for early termination and no formal notice period.

The Chief Executive was employed by the Department of Health and was seconded to the Commission. His initial period of secondment was until October 2006, although this was extended to January 2007. His contract with the Department of Health is a permanent contract requiring three months' notice. As he is seconded to the Commission then the Commission is not liable for any compensation for early termination.

Remuneration Committee

The Remuneration Committee comprises the Chairman and three Regional Commissioners who meet on an annual basis to determine the remuneration of the Chief Executive.

The following table shows the remuneration for the six months ending 30 September 2006 and is subject to audit.

Remuneration for six months to 30 September 2006

	6 months to 30/9/06		2005-06 Full year	
	Salary in £5k bands	Other remun in £5k bands	Salary in £5k bands	Other remun in £5k bands
Name and title	£000	£000	£000	£000
Ms P Bennett (Regional Commissioner)	10 – 15	5 – 10	20 – 25	0 – 5
Mrs M Hughes (Regional Commissioner)	10 – 15	0 – 5	20 – 25	0 – 5
Dr R Moore (Chief Executive)	45 – 50	0	90 – 95	0
Mr R Nicholls (Regional Commissioner)	10 – 15	0 – 5	20 – 25	0 – 5
Mrs B Sills (Regional Commissioner)	10 – 15	0 – 5	20 – 25	0 – 5
Mr J Sofat (Regional Commissioner)	10 – 15	0 – 5	20 – 25	5 – 10
Mr M Taylor (Regional Commissioner)	10 – 15	0 – 5	20 – 25	0 – 5
Mrs R Varley (Regional Commissioner)	10 – 15	0 – 5	20 – 25	0 – 5
Sir W Wells (Chairman)	10 – 15	0	25 – 30	0
Mrs J Isaacs (Regional Commissioner) ⁽ⁱ⁾	n/a	n/a	5 – 10	0 – 5

(i) Resigned with effect from 31 August 2005.

None of these senior managers received benefits in kind in the six months to 30 September 2006 (2005/06: none).

Pension benefits

The Chairman and Regional Commissioners are non-executive members and as such their remuneration is not pensionable. The Chief Executive is a member of the Civil Service pension scheme and has withheld permission for disclosure of details relating to his pension.



Susan Atkins

Interim Chief Executive

18 July 2007

Statement of the Board's and Chief Executive's responsibilities

Under the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of Treasury, the NHS Appointments Commission is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the NHS Appointments Commission's state of affairs at the year end and of its net resource outturn, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the NHS Appointments Commission as the Accounting Officer, with responsibility for preparing the NHS Appointments Commission's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Board and Accounting Officer are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the NHS Appointments Commission will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the NHS Appointments Commission, and for the keeping of proper records, are set out in the Accounting Officers' Memorandum issued by the Department of Health.

Statement on internal control: six months ended 30 September 2006

1. Scope of responsibility

The NHS Appointments Commission ceased to exist on 30 September 2006. The Statement on Internal Control for the NHS Appointments Commission has been prepared by the Appointments Commission, its successor body.

I have signed this Statement on Internal Control being the Interim Chief Executive of the Appointments Commission and Accounting Officer for the accounts of the NHS Appointments Commission due to the abolition of that organisation and the retirement of the previous Chief Executive.

As Accounting Officer together with the former Chief Executive of the NHS Appointments Commission, who was in post as Accounting Officer throughout the period in question, I have responsibility together with the Board for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accounting Officer Memorandum.

I have a dual accountability both to the Board of the Commission and also, via the departmental Accounting Officer, to Parliament for the performance of the Commission's functions, meeting its statutory duties and for the stewardship of resources provided to the Commission.

The Commission also has a key relationship with the Commissioner for Public Appointments, with responsibility for ensuring that all the appointments made by the Commission are made in accordance with the Commissioner's Code of Practice.

This statement is made in respect of a period for which my predecessor was Accounting Officer. In making this statement of internal control I have reviewed the documentation for the relevant period, including internal audit reports and consulted the external auditors.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Appointments Commission for the six months ended 30 September 2006 and up to the date of approval of the annual accounts.

3. Capacity to handle risk

As the Chief Executive and Accounting Officer I am ultimately accountable for all risks of the Commission and responsible for taking the lead in the risk management process and having in place effective systems of risk management and internal control.

The risk register is completed and updated on a regular basis by a process that involves input from the Chief Executive and the senior team. It is reviewed at each Audit Committee meeting and progress reported to the full board. The risk register is available for all staff to view.

The core business of the Commission is making public appointments to NHS organisations. The Commission has standardised procedures designed to make appointments in an open and transparent way and manage the risk associated with the process. These procedures are documented and all relevant new staff receive appropriate training. These procedures are regularly updated in the light of suggested improvements, problems or complaints arising.

As new areas of activity for the Commission develop, such as work for the Department of Health and other Government Departments, the existing processes are reviewed and adapted as necessary to support the new work. This work also falls under the regulation of the Commissioner for Public Appointments and is audited by her.

4. The risk and control framework

As Chief Executive I have ultimate responsibility for risk management in the Commission. I ensure that the Commission has in place effective systems of risk management and internal control. I also have overall responsibility for ensuring the implementation of an Assurance Framework to assess and manage risk and to give assurance to the Board that controls are in place and working effectively.

On behalf of the Board the Audit Committee reviews the establishment and maintenance of an effective system of internal control and risk management. The Committee reviews the adequacy of all risk and control-related disclosure statements, together with any accompanying Internal Audit statement, prior to endorsement by the Board.

The senior team is responsible for ensuring that risk assessment is a continuous process within the Commission and that the risk register is maintained. Managers are also responsible for developing both their own and their staff members' awareness of, and response to, risk.

Staff are familiar with all relevant Commission policies and procedures designed to minimise risk. If staff see a risk or problem they are expected to take responsibility for dealing with the issue or reporting it to the appropriate person.

Risks are identified in a variety of ways, including by general and ongoing review of operations, evaluation of new opportunities and developments and by assessment of complaints and incidents. When items are added to the risk register, their relative likelihood and potential impact are assessed in order to prioritise them amongst other identified risks. Risks are also re-assessed in conjunction with the preparation of the annual Business Plan.

The risk register is regularly reviewed and updated by the senior team and Audit Committee. Each identified risk has a response and action plan formulated in order to minimise/mitigate the risk. The register also identifies assurances that are available to give evidence that controls are in place and operating effectively.

The Commission seeks to be a learning organisation. We have therefore sought the views of the Audit Committee and internal auditors on how to improve our systems. As a result the risk register and assurance framework document is being fully reviewed and re-formatted.

When potential problems are identified as part of ongoing operations or as a result of an incident or complaint, then due to the relatively small size of the organisation procedures can be reviewed quickly to prevent recurrence. Monthly board and senior team meetings allow procedures to be developed on a regular, ongoing basis. Issues and decisions arising from these meetings are fed back to all staff shortly after the meetings so any changes to operational procedures can be implemented quickly as necessary.

5. Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by reports made by external auditors and by the reviews and reports from the Office of the Commissioner for Public Appointments and their auditors. In addition the Commission's complaints procedure ensures that I am aware of particular issues that may be arising and that need acting upon.

The systems of internal control are maintained and reviewed on an ongoing basis as already described. A plan to address weaknesses and to continue improving controls is in place.

As this is a relatively small organisation I have a high degree of contact with staff and am aware through such informal systems, as well as via the formal reporting structures, of particular issues that may be arising. Due to the size of the Commission, the relative simplicity of its procedures and limited number of objectives, reaction to events and changes to internal controls can be made without delay when necessary. Issues requiring board decision are dealt with at monthly board meetings and necessary actions passed back to staff promptly.

The Audit Committee on behalf of the Board maintains an overview of the risk register and of the overall progress that is being made in improving internal controls. The Committee monitors progress on the action plans that have been developed as a result of risk reviews and audit recommendations work to improve internal controls and risk management.



Susan Atkins

Interim Chief Executive

Dated: 18 July 2007

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the NHS Appointments Commission for the six months ending 30 September 2006 under the National Health Service Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the remuneration report and the financial statements in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which includes the annual report and management commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the NHS Appointments Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the NHS Appointments Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of NHS Appointments Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to NHS Appointments Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of NHS Appointments Commission's affairs as at 30 September 2006 and of its net resource outturn, recognised gains and losses and cashflows for the six months then ended;
- the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the National Health Service Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information given within the Annual Report, which includes the annual report and management commentary, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

18 July 2007

Financial statements

Operating cost statement for the six months ended 30 September 2006

	Notes	2006 £000	2005-06 £000
Programme costs	2.1	3,136	5,527
Operating income	4	(551)	(1,373)
Net operating cost before interest		2,585	4,154
Interest payable		0	0
Net operating cost		2,585	4,154
Net resource outturn	3.1	2,585	4,154

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses for the six months ended 30 September 2006

	Notes	2006 £000	2005-06 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	12.2	0	0
Unrealised surplus/(deficit) on the indexation of fixed assets	12.2	2	3
Receipt of donated assets		0	0
Fixed asset impairment losses	12.2	0	0
Prior period adjustment		0	0
Recognised gains and (losses) for the financial year		2	3

The notes at pages 41 to 53 form part of these accounts.

Balance Sheet as at 30 September 2006

	Notes	30 Sept 2006 £000	31 March 2006 £000
Fixed assets:			
Intangible assets	5.1	1	3
Tangible assets	5.2	158	203
		159	206
Current assets:			
Stocks	6	0	0
Debtors	7	481	804
Cash at bank and in hand	8	17	13
		498	817
Creditors: amounts falling due within one year	9.1	(908)	(766)
Net current assets/(liabilities)		(410)	51
Total assets less current liabilities		(251)	257
Creditors: amounts falling due after more than one year	9.2	0	0
Provisions for liabilities and charges	10	(40)	(85)
		(291)	172
Taxpayers' equity			
General Fund	12.1	(303)	161
Revaluation reserve	12.2	12	11
		(291)	172

The financial statements on pages 38 to 53 were approved by the Board on 13 June 2007 and signed by the Accounting Officer.

Signed



Susan Atkins
Accounting Officer

Dated 18 July 2007

Cash Flow Statement for the six months ended 30 September 2006

	Notes	2006 £000	2005-06 £000
Net cash (outflow) from operating activities	13	(2,115)	(4,018)
Servicing of finance			
Interest paid		0	0
Interest elements of finance leases		0	0
Net cash (outflow) from servicing finance		0	0
Capital expenditure and financial investment:			
(Payments) to acquire intangible fixed assets		0	0
(Payments) to acquire tangible fixed assets		0	0
Receipts from disposal of intangible fixed assets		0	0
Receipts from disposal of tangible fixed assets		0	0
Net cash inflow/(outflow) from investing activities		0	0
Net cash (outflow) before financing		(2,115)	(4,018)
Financing			
Net Parliamentary funding	12.1	2,120	4,031
Capital element of finance leases		0	0
Donations		0	0
Increase/(decrease) in cash in the period	8	5	13

The notes on pages 41 to 53 form part of these accounts.

Notes to the Accounts

1 Accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Authority are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets and stock where material, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Special Health Authority is Parliamentary grant from the Department of Health from Request for Resources 1 within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the Commission. It principally comprises fees and charges for services provided on a full-cost basis to external customers. These include appointment campaigns run for external bodies and charges to NHS organisations to support the Commission's development programme for non-executives. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

The Authority is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the period was 3.5% (2005-06: 3.5%) on all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Fixed assets

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

- iii Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.
- iv Donated fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

b. Valuation

Intangible fixed assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

- i Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
- ii All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

c. Depreciation and Amortisation

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Each equipment asset is depreciated evenly over the expected useful life:

	Years
Furniture and fittings	10
Information technology	5

1.6 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production.

1.7 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.8 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the Special Health Authority to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers' contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions were based covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 year's pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

A death gratuity of twice final years pensionable pay for death-in-service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Seconded staff

Past and present employees seconded from the Department of Health are covered by the provisions of the Civil Service Pension Schemes. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependent's benefits. The Special Health Authority recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment made by the Department to the

Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period. A full actuarial valuation is carried out every four years. The most recent was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions were payable to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

1.9 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

2 Expenditure

2.1 Authority programme expenditure

	Notes	£000	2006 £000	2005-06 £000
Non-executive members' remuneration			111	229
Other salaries and wages	2.2		1,043	2,043
Supplies and services – general			3	8
Establishment expenses			220	360
Premises and fixed plant			266	525
External contractors			413	564
Training programme			17	344
Capital: depreciation and amortisation	5.1, 5.2	50		99
capital charges interest		0		8
			50	107
Auditor's remuneration: audit fees *			15	20
Advertising of vacancies			687	1,077
Costs of interviews			269	206
Miscellaneous			42	44
			3,136	5,527

* The Commission did not make any payments to Auditors for non-audit work.

Details of the total expenditure split between the Commission's three main areas of work can be found in note 23.

2.2 Staff numbers and related costs

	2006 Total £000	Permanently employed staff £000	Other £000	2005-06 £000
Salaries and wages	660	660	0	1,268
Social security costs	69	69	0	133
Employer contributions to NHSPA	82	82	0	167
Staff seconded from Dept of Health	216	0	216	408
Agency staff	16	0	16	67
	1,043	811	232	2,043

The costs for seconded staff are the total amounts invoiced by the Department of Health which include salary and employers costs (pension and national insurance).

The average number of employees during the year was:

	Total number	Permanently employed staff number	Other number	2005-06 number
Total	58	49	9	57

Retirements due to ill-health

During the period there were no early retirements from the Commission on the grounds of ill-health.

2.3 Better Payment Practice Code – measure of compliances

	Number	£000
Total non-NHS bills paid in 6 months to 30 Sept 2006	732	949
Total non-NHS bills paid within target	694	815
Percentage of non NHS bills paid within target	94.8%	85.9%

	Number	£000
Total NHS bills paid in 6 months to 30 Sept 2006	15	135
Total NHS bills paid within target	15	135
Percentage of NHS bills paid within target	100.0%	100.0%

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998 legislation.

3 Financing

3.1 Reconciliation of net operating cost to net resource outturn

	2006 £000	2005-06 £000
Net operating cost	2,585	4,154
Net resource outturn	2,585	4,154
Revenue resource limit	2,585	4,156
(Over)/under spend against revenue resource limit	0	2

Details of net operating costs split between the Commission's three areas of work can be found in note 23.

3.2 Reconciliation of gross capital expenditure to capital resource limit

The Commission had no capital expenditure or capital resource limit in the period (2005/06: nil).

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Appropriated in aid £000	Not appropriated in aid £000	Total £000	2005-06 £000
Programme income:				
Fees & charges to external customers	0	0	0	16
Income received from Scottish Parliament	0	0	0	0
Income received from National Assembly for Wales	0	0	0	0
Income received from Northern Ireland Assembly	0	0	0	0
Income received from other Departments, etc	551	0	551	1,357
Other	0	0	0	0
Total	551	0	551	1,373

5 Fixed assets

5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 31 March 2006	19	19
Indexation	0	0
Impairments	0	0
Other revaluations	0	0
Additions – purchased	0	0
Additions – donated	0	0
Reclassification	0	0
Disposals	0	0
Gross cost at 30 September 2006	19	19
Accumulated amortisation at 31 March 2006	16	16
Indexation	0	0
Impairments	0	0
Other revaluations	0	0
Charged during the period	2	2
Reclassification	0	0
Disposals	0	0
Accumulated amortisation at 30 Sept 2006	18	18
Net book value:		
Purchased at 31 March 2006	3	3
Donated at 31 March 2006	0	0
Total at 31 March 2006	3	3
Net book value:		
Purchased at 30 Sept 2006	1	1
Donated at 30 Sept 2006	0	0
Total at 30 Sept 2006	1	1

5.2 Tangible fixed assets

	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 31 March 2006	369	215	584
Additions – purchased	0	0	0
Additions – donated	0	0	0
Impairments	0	0	0
Reclassification	0	0	0
Indexation	0	3	3
Other in year revaluations	0	0	0
Disposals	0	0	0
Gross cost at 30 Sept 2006	369	218	587
Accumulated depreciation at 31 March 2006	295	86	381
Charged during the period	37	11	48
Impairments	0	0	0
Reclassification	0	0	0
Indexation	0	0	0
Other in year revaluation	0	0	0
Disposals	0	0	0
Accumulated depreciation at 30 Sept 2006	332	97	429
Net book value:			
Purchased at 31 March 2006	74	129	203
Donated at 31 March 2006	0	0	0
Total at 31 March 2006	74	129	203
Net book value:			
Purchased at 30 Sept 2006	37	121	158
Donated at 30 Sept 2006	0	0	0
Total at 30 Sept 2006	37	121	158

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Total £000
Total at 31 March 2006	0
Total at 30 Sept 2006	0

The total amount of depreciation charged in the operating cost statement in respect of assets held under finance leases and hire purchase contracts:

	Total £000
Depreciation as at 31 March 2006	0
Depreciation as at 30 Sept 2006	0

6 Stocks and work-in-progress

Due to the nature of its business the Commission does not have stocks or work-in-progress.

7 Debtors

7.1 Amounts falling due within one year

	30 Sept 2006 £000	31 March 2006 £000
NHS debtors	198	319
Provision for irrecoverable debts	0	0
Prepayments	69	117
Accrued income	181	149
Capital debtors	0	0
Other debtors	33	219
	481	804

7.2 Amounts falling due after more than one year

	£000	£000
NHS debtors	0	0
Prepayments	0	0
Accrued income	0	0
Capital debtors	0	0
Other debtors	0	0
	0	0
Total debtors	481	804

The accrued income relates to national campaigns carried out by the Commission which are in progress at the year end. They are recharged to clients upon completion.

8 Analysis of changes in cash

	At 31 March 2006 £000	Change during the year £000	At 31 Sept 2006 £000
Cash at OPG	13	4	17
Cash at commercial banks and in hand	0	0	0
	13	4	17

Note: There is a rounding difference of £1k between this and the cashflow numbers statement which is necessary to show the correct rounded totals in the financial statements.

9 Creditors:

9.1 Amounts falling due within one year

	30 Sept 2006 £000	31 March 2006 £000
Overdrafts	0	0
NHS creditors	19	49
Capital creditors	0	0
Tax and social security	45	0
Other creditors	129	132
Accruals	607	253
Deferred income	108	332
	908	766

Deferred income relates to amounts collected specifically for the training programme but which are required to fund activities planned to occur in the following financial period.

9.2 Amounts falling due after more than one year

There are no amounts falling due after more than one year (31 March 2006: none).

9.3 Finance lease obligations

There are no obligations under finance leases (31 March 2006: none).

10 Provisions for liabilities and charges

	Legal £000	Other £000	Total £000
At 31 March 2006	45	40	85
Arising during the year	0	0	0
Utilised during the year	(45)	0	(45)
Reversed unused	0	0	0
Change in the discount rate	0	0	0
Unwinding of discount	0	0	0
At 31 March 2006	0	40	40

Expected timing of cash flows:

Within 1 year	0	20	20
1-5 years	0	20	20
Over 5 years	0	0	0

Provisions relate to the regular decoration and restoration work required on office premises during and at the end of lease terms.

11 Movements in working capital other than cash

	2006 £000	2005-06 £000
Increase/(decrease) in debtors	(323)	(165)
(Increase)/decrease in creditors	(142)	79
	(465)	(86)

12 Movements on reserves

12.1 General fund

	2006 £000	2005-06 £000
Balance at 31 March 2006	161	274
Net operating costs for the year	(2,585)	(4,154)
Net Parliamentary funding	2,120	4,031
Transfer of realised profits/losses from revaluation reserve	1	2
Non-cash items: capital charge interest	0	8
Balance at 30 September 2006	(303)	161

12.2 Revaluation reserve

	£000	£000
Balance at 31 March 2006	11	10
Impairments	0	0
Indexation of fixed assets	2	3
Revaluation of fixed assets	0	0
Transfer to general fund of realised elements of revaluation reserve	(1)	(2)
Balance at 30 September 2006	12	11

13 Reconciliation of operating costs to operating cash flows

	Note	2006 £000	2005-06 £000
Net operating cost before interest for the period		2,585	4,154
Adjust for non-cash transactions	2.1	(50)	(107)
Adjust for movements in working capital other than cash	11	(465)	(86)
(Increase)/decrease in provisions	10	45	57
Transfer from donated asset reserve		0	0
Net cash outflow from operating activities		2,115	4,018

14 Contingent liabilities

At 30 Sept 2006 there were no known contingent liabilities. (2005-06: none).

15 Capital commitments

At 30 Sept 2006 there were no contracted capital commitments. (2005-06: none).

16 Commitments under operating leases

Expenses of the Authority include the following in respect of hire and operating lease rentals:

	2006 £000	2005-06 £000
Hire of plant and machinery	3	0
Other operating leases	128	256
	131	262

Commitments under non-cancellable operating leases:

Commitments under operating leases to pay rentals during the year following the end of the six month period of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2006 £000	2005-06 £000
Land and buildings		
Operating leases which expire:		
within 1 year	11	0
between 1 and 5 years	0	162
after 5 years	93	92
	104	254
Other leases		
Operating leases which expire:		
within 1 year	3	2
between 1 and 5 years	3	3
after 5 years	0	0
	6	5

17 Other commitments

The Authority has entered into non-cancellable contracts (which are not operating leases) for the provision of support services totalling £82,000 per annum as at 30 Sept 2006 (31/3/06: £82,000).

18 Losses and special payments

There was one special payment of £4,520 (2005/06, one loss, £985).

19 Related parties

The Commission is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Commission has had a significant number of material transactions with the Department.

Eight of the Commission's staff are seconded from the Department of Health. The costs of these staff are recharged to the Commission. The costs for the period for these staff totalled £216k. (2005/06: £408k, eight staff.)

The Commission has carried out board recruitment campaigns for national bodies on behalf of the Department of Health during the year. The costs associated with these campaigns are recharged to the Department upon completion of the campaign and totalled £270k for the year (2005/06: £616k). Work in progress, and uninvoiced at the period end totalled £181k (2005/06: £149k).

20 Post balance sheet events

There are no material post balance sheet events. This Annual Report and Accounts has been authorised for issue on 18 July 2007 by the Appointments Commission Interim Chief Executive and Accounting Officer.

21 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way Special Health Authorities are financed, the Commission is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Commission in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

21.1 Liquidity risk

The Commission's net operating costs are financed from resources voted annually by Parliament and it is not, therefore, exposed to significant liquidity risks.

21.2 Interest rate risk

All of the Commission's financial assets and liabilities carry nil or fixed rates of interest. The Appointments Commission is not, therefore, exposed to significant interest rate risk.

21.3 Foreign currency risk

The Authority has no foreign currency income or expenditure.

21.4 Fair values

Fair values are not significantly different from book values and therefore no additional disclosure is required.

22 Intra-government balances

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
30 September 2006				
Balances with other central government bodies	371	0	250	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	30	0	113	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	80	0	545	0
At 30 September 2006	481	0	908	0

	Debtors: Amounts falling due within one year £000	Debtors: Amounts falling due after more than one year £000	Creditors: Amounts falling due within one year £000	Creditors: Amounts falling due after more than one year £000
31 March 2006				
Balances with other central government bodies	540	0	62	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	140	0	342	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	124	0	362	0
At 31 March 2006	804	0	766	0

23 Analysis of the Appointments Commission's activities

As the Commission carries out work which is funded in a variety of ways the following details explain the funding of the three main areas of the Commission's activities:

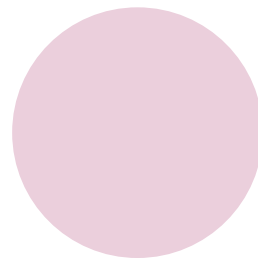
The activities included under "NHS Appointments" comprise the work the Commission carries out in order to make appointments to NHS Trusts, Primary Care Trusts and Strategic Health Authorities.

Training and development work is funded by the £1000 levy on all NHS organisations. As this income is received for specific purposes then any amounts intended to fund activities to be delivered in the next financial period are deferred into that period.

National campaigns are carried out in order to make appointments to the boards of national NHS bodies and boards of Other Government Departments.

2006 (Six months)	NHS appointments £000	Training and development £000	National campaigns £000	Total £000
Expenditure	2,593	203	340	3,136
Operating income	(8)	(203)	(340)	(551)
Net operating cost	2,585	0	0	2,585
Resource limit	2,585	0	0	2,585
(Over)/underspend	0	0	0	0

2005/06	NHS appointments £000	Training and development £000	National campaigns £000	Total £000
Expenditure	4,158	589	780	5,527
Operating income	(4)	(589)	(780)	(1,373)
Net operating cost	4,154	0	0	4,154
Resource limit	4,156	0	0	4,156
(Over)/underspend	2	0	0	2



SECTION THREE

Accounts for the six months
to 31 March 2007

Management commentary

The accounts for the six months ended 31 March 2007 have been prepared in accordance with the direction given by the Secretary of State in accordance with section 22 (2), schedule 4 of the Health Act 2006, dated 14 June 2007 and in a format as instructed by the Department of Health with the approval of the Treasury.

Background

The NHS Appointments Commission was established as a Special Health Authority in 2001 with the purpose of making appointments of chairs and non-executives to the boards of NHS Hospital Trusts, Primary Care Trusts and Health Authorities in England and any other duties as directed by the Secretary of State. The Health Act 2006 abolished the NHS Appointments Commission with effect from 1 October 2006 and replaced it with a new non-departmental public body called the Appointments Commission. Consequently for 2006/07 two sets of accounts have been produced, one for the six months to 30 September 2006 and one set for the six months to 31 March 2007. The new Commission has greater freedoms which allow it to undertake all the same work as previously, but to now extend its remit to other Government Departments.

The Commission also provides a programme of training and development events for chairs and non-executives, these events are funded by a charge to every participating organisation. As this income is received for specific purposes then any amounts collected that are intended to fund activities which are to be delivered in a future accounting period are deferred into that period.

Review of activities

During the six month period the Commission had a total expenditure of £3.4 million. The largest area of expenditure was the £2.6 million that was spent in order to make appointments to NHS organisations. This work was funded by the Commission's resource allocation of £2.6 million, leading to an underspend of £10k.

In addition £318k was spent on training activities, funded by the training levy. £458k was spent on making appointments to national bodies, funded by the bodies concerned.

An analysis of the Commission's net operating costs split between its main areas of work can be found in note 23. A summary of expenditure for the full year is given in Appendix 1 on page 84.

During the period the Commission operated from offices in London and Leeds, although the London office was closed in April 2007 due to the reduction in workload following the re-configuration of the NHS. Most of the staff remaining in the London office were made redundant in March 2007. The costs of those redundancies, plus the costs of final redundancies in May 2007 (which were formally notified before the period end) are included in these accounts.

A summary of the Commission's activities for the full financial year 2006/07 and details of objectives for 2007/08 can be found in Section One of this report.

Board members

The board members during the period were:

Sir William Wells	Chairman
Ms Penny Bennett	Non-Executive
Ms Miranda Hughes	Non-Executive
Mr Janardan Sofat	Non-Executive
Mr Michael Taylor	Non-Executive
Ms Anne Watts	Non-Executive (from January 2007)
Dr Roger Moore	Chief Executive (to February 2007)
Dr Susan Atkins	Interim Chief Executive (from March 2007)
Mrs Janice Scanlan	Director of Appointments
Mrs Ruth Whitlam	Director of Corporate Affairs
Mr Chris Dye	Director of Marketing & Training
Ms Lynn Shadford	Head of Finance

Details of the remuneration of the senior management of the Commission can be found in the remuneration report (page 58). Senior management is defined to include those persons having authority for directing the major activities of the Commission and comprises board members and Commissioners.

Payment of suppliers

The Commission is required to pay its non-NHS trade creditors in accordance with the Better Payment Practice Code. The target is to pay non-NHS trade creditors within 30 days of receipt of goods or a valid invoice (whichever is later) unless other terms have been agreed with the supplier. Of the relevant invoices 75% by number and 85% by value were paid within the target time.

Equal opportunities

The Commission is an equal opportunities employer and provides employment opportunities for all suitably qualified people regardless of age, gender, religion, ethnic origin or disability.

Auditors

The accounts have been audited by the Comptroller and Auditor General in accordance with the Health Act 2006. So far as I am aware, there is no relevant audit information of which the Appointment's Commission external auditors are unaware. I have also taken steps to make myself aware of any information relevant to the audit and to ensure that the auditors have been informed accordingly. The audit certificate is on pages 66 to 67. The cost of the audit was £15,000.

Susan Atkins
Interim Chief Executive

18 July 2007

Remuneration report for the six months to 31 March 2007

The Appointments Commission is required to prepare a report containing information about the remuneration of senior managers, who are defined as those who have authority for directing or controlling the major activities of the Commission. For the Appointments Commission this group comprises the Chairman, non-executive directors, executive board members and Commissioners.

Remuneration policy

The Chairman, non-executives and Regional Commissioners are remunerated at an annual rate that is set by the Department of Health. In addition, payment at a daily rate approved by the Department of Health is made to Commissioners for their participation in campaigns that are additional to the work expected and remunerated within the annual rate. In the details of remuneration shown opposite this additional work is reported in the 'other remuneration' column.

The Chief Executive's remuneration is reviewed by the Remuneration Committee each year. Other executive board members are on rates set within the pay frameworks for NHS and Civil Service senior managers and also under the terms of the 'Agenda for Change' scheme.

Appointment terms

The Chairman, non-executives and Commissioners were appointed for short, fixed terms at the creation of the new organisation on 1 October 2006. Details of their appointments for the period are detailed below:

	From	To	Term length
Bennett, P	1/10/06	31/03/2007	6 months
Hughes, M	1/10/06	31/03/2007	6 months
Nicholls, B	1/10/06	31/03/2007	6 months
Sills, B	1/10/06	10/11/2006	1 month
Sofat, J	1/10/06	31/03/2007	6 months
Taylor, M	1/10/06	31/03/2007	6 months
Varley, R	1/10/06	31/03/2007	6 months
Watts, A (see below)	1/01/07	31/03/2007	3 months
Wells, W	1/10/06	31/03/2007	6 months

Ms Watts' appointment for the period in question was as a non-executive. Her official appointment from January 2007 also includes her position as Commission Chair from 1 April 2007 to 31 March 2011.

Other non-executives and Commissioners were subject to an open recruitment competition in order to make new appointments from 1 April 2007. Details of the current senior management can be found on page 9.

For the Chairman, non-executive directors and Commissioners there is no provision for compensation for early termination and no formal notice period.

The Chief Executive was employed by the Department of Health and was seconded to the Commission. His initial period of secondment was until October 2006, but this was extended to February 2007, when he retired. His contract with the Department of Health was permanent, requiring three months' notice. As he was seconded to the Commission then the Commission was not liable for any compensation for early termination. The new Interim Chief Executive is on a short-term secondment from the Home Office for approximately six to nine months and consequently the Commission is not liable for early termination.

Other executive members are on standard terms and conditions requiring three months' notice.

Remuneration Committee

The Remuneration Committee comprises the Chairman and three non-executive directors who determine the remuneration of the Chief Executive.

The following tables show the remuneration and pension benefits for the six months ending 31 March 2007 and are subject to audit.

Remuneration for six months to 31 March 2007

	Six months to 31/3/07	
	Salary in £5k bands	Other remuneration in £5k bands
Name and title	£000	£000
Dr S Atkins (Interim Chief Executive) ⁽ⁱ⁾	5 – 10	0
Ms P Bennett (Non-Executive & Commissioner)	10 – 15	0 – 5
Mr C Dye (Director of Marketing & Training)	30 – 35	0
Mrs M Hughes (Non-Executive & Commissioner)	10 – 15	0 – 5
Dr R Moore (Chief Executive) ⁽ⁱⁱ⁾	50 – 55	0
Mr R Nicholls (Regional Commissioner)	10 – 15	0 – 5
Mrs J Scanlan (Director of Appointments)	35 – 40	0
Ms L Shadford (Finance Manager)	20 – 25	0
Mrs B Sills (Regional Commissioner) ⁽ⁱⁱⁱ⁾	0 – 5	0 – 5
Mr J Sofat (Non-Executive & Commissioner)	10 – 15	0 – 5
Mr M Taylor (Non-Executive & Commissioner)	10 – 15	0 – 5
Mrs R Varley (Consultant Commissioner)	10 – 15	0 – 5
Ms A Watts (Non-Executive, Chair designate) ^(iv)	0 – 5	0
Mrs R Whitlam (Director of Corporate Affairs)	25 – 30	0
Sir W Wells (Chairman)	10 – 15	0

⁽ⁱ⁾ With effect from 1 March 2007

⁽ⁱⁱ⁾ Retired with effect from February 2007

⁽ⁱⁱⁱ⁾ Resigned with effect from 10 November 2006

^(iv) With effect from 1 January 2007

Except for Mr Dye, none of these people received benefits in kind in the period. Mr Dye had a lease car for the period for which the benefit is calculated as £3.5k.

Note that comparatives from the previous full financial year are given in the report relating to the six month period to 30 September.

Pension benefits

The Chairman, non-executive directors and Regional Commissioners are non-executive members and as such their remuneration is not pensionable.

For other staff the following figures relate to the period of their membership of the board since 1 October 2006, unless stated otherwise:

Name and title	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2007 (bands of £5,000)	Lump sum at age 60 related to accrued pensions at 31 March 2007 (bands of £5,000)	Cash equivalent transfer value at 31 March 2007	Cash equivalent transfer value at 31 March 2006	Real increase in cash equivalent transfer value (6 months to 31 March 2007)	Employer's contribution to stakeholder pension (6 months to 31 March 2007)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mr C Dye (Director of Marketing & Training)	0 – 2.5	0 – 2.5	20 – 25	60 – 65	282	260	7.4	5.2
Ms L Shadford (Finance Manager)	0 – 2.5	0 – 2.5	5 – 10	20 – 25	99	84	6.2	4.4
Mrs R Whitlam (Director of Corporate Affairs)	0 – 2.5	0 – 2.5	20 – 25	65 – 70	371	345	8.4	5.9

Dr R Moore is a member of the Civil Service pension scheme and withheld permission for pension information to be disclosed. Mrs Scanlan and Dr Atkins are members of Civil Service schemes and the required information was not available.

Susan Atkins
Interim Chief Executive

18 July 2007

Statement of the Board's and Chief Executive's responsibilities

Under the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of Treasury, the Appointments Commission is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the approval of Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Appointments Commission's state of affairs at the year end and of its net operating cost, recognised gains and losses and cash flows for the financial year.

The Accounting Officer for the Department of Health has appointed the Chief Executive of the Appointments Commission as the Accounting Officer, with responsibility for preparing the Appointments Commission's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Board and Accounting Officer are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Appointments Commission will continue in operation.

The Chief Executive's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public funds and assets vested in the Appointments Commission, and for the keeping of proper records, are set out in the Non-Departmental Public Bodies Accounting Officers' Memorandum issued by the Department of Health.

Statement on internal control: six months to March 2007

1. Scope of responsibility

As Accounting Officer and Interim Chief Executive, together with the previous Chief Executive who retired during the period in question, I have responsibility, together with the Board, for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accounting Officer Memorandum.

I have a dual accountability both to the Board of the Commission and also, via the departmental Accounting Officer, to Parliament for the performance of the Commission's functions, meeting its statutory duties and for the stewardship of resources provided to the Commission.

The Commission also has a key relationship with the Commissioner for Public Appointments, with responsibility for ensuring that all the appointments made by the Commission are made in accordance with the Commissioner's Code of Practice.

This statement is made in respect of a period for the majority of which my predecessor was Accounting Officer. In making this statement of internal control I have reviewed the documentation for the relevant period, including internal audit reports and consulted external auditors.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Appointments Commission for the six months ended 31 March 2007 and up to the date of approval of the annual accounts.

3. Capacity to handle risk

As the Chief Executive and Accounting Officer I am ultimately accountable for all risks of the Commission and responsible for taking the lead in the risk management process and having in place effective systems of risk management and internal control.

The risk register is completed and updated on a regular basis by a process that involves input from the Chief Executive and the senior team. It is reviewed at each Audit Committee meeting and progress reported to the full board. The risk register is available for all staff to view.

The core business of the Commission is making public appointments to NHS organisations. The Commission has standardised procedures designed to make appointments in an open and transparent way and manage the risk associated with the process. These procedures are documented and all relevant new staff receive appropriate training. These procedures are regularly updated in the light of suggested improvements, problems or complaints arising.

As new areas of activity for the Commission develop, such as work for the Department of Health and Other Government Departments the existing processes are reviewed and adapted as necessary to support the new work. This work also falls under the regulation of the Commissioner for Public Appointments and is audited by her.

The Commission has faced a number of significant changes during the period, including a change in legal status, retirement of the Chair and Chief Executive and a change of the Board and committee membership. Collectively these changes to the leadership of the Commission constituted a high risk.

The Commission has managed the risks associated with these changes by:

- appointing the chair designate as a non-executive for three months before the retirement of the previous chair to provide a period of learning and handover before she formally took up the post of chair;
- appointing an experienced NDPB chief executive as an interim chief executive to lead and manage the Commission through the transition and review period;
- appointing a financially qualified and highly experienced non-executive, who also acts as chair of the Audit Committee;
- maintaining some continuity in membership of the Audit Committee;
- having the external auditors carry out their audit of the first six month period, up to the change of status, part way through the year.

The extraordinarily large workload connected to the reconfiguration of most Primary Care Trusts in England during 2006/07 constituted a significant risk to the Commission. This was exacerbated by the closure of the London office in April 2007. These risks were managed and controlled by:

- focusing resources on priorities;
- good project management;
- streamlining procedures to increase efficiency whilst maintaining high standards;
- giving the Director of Appointments the specific responsibility for overseeing the closure of the London office and transfer of work to the Leeds office.

The Commission is currently undertaking a review of the services that it provides to the Department of Health and NHS clients. This review will include a thorough investigation of appointments process and procedures to ensure that they continue to be appropriate and meet current and likely future requirements.

The review will also consider the Commission's structure to ensure that it meets the developing requirements of our wider Government clients as well as providing appropriate organisational support and governance.

4. The risk and control framework

As Chief Executive I have ultimate responsibility for risk management in the Commission. I ensure that the Commission has in place effective systems of risk management and internal control. I also have overall responsibility for ensuring the implementation of an Assurance Framework to assess and manage risk and to give assurance to the Board that controls are in place and working effectively.

On behalf of the Board the Audit Committee review the establishment and maintenance of an effective system of internal control and risk management. The Committee reviews the adequacy of all risk and control-related disclosure statements, together with any accompanying Internal Audit statement, prior to endorsement by the Board.

The senior team is responsible for ensuring that risk assessment is a continuous process within the Commission and that the risk register and assurance framework are maintained. Managers are also responsible for developing both their own and their staff members' awareness of, and response to, risk.

Staff are familiar with all relevant Commission policies and procedures designed to minimise risk. If staff see a risk or problem they are expected to take responsibility for dealing with the issue or reporting it to the appropriate person.

Risks are identified in a variety of ways, including by general and ongoing review of operations, evaluation of new opportunities and developments and by assessment of complaints and incidents. When items are added to the risk register their relative likelihood and potential impact are assessed in order to prioritise them amongst other identified risks. Risks are also re-assessed in conjunction with the preparation of the annual Business Plan.

The risk register is regularly reviewed and updated by the senior team and Audit Committee. Each identified risk has a response and action plan formulated in order to minimise/mitigate the risk. The register also identifies assurances that are available to give evidence that controls are in place and operating effectively.

The Commission seeks to be a learning organisation. We have therefore sought the views of the Audit Committee and internal auditors on how to improve our systems. As a result the risk register and assurance framework document is being fully reviewed and re-formatted for use in 2007/08.

When potential problems are identified as part of ongoing operations or as a result of an incident or complaint, then due to the relatively small size of the organisation procedures can be reviewed quickly to prevent recurrence. Monthly board and senior team meetings allow procedures to be developed on a regular, ongoing basis. Issues and decisions arising from these meetings are fed back to all staff shortly after the meetings so any changes to operational procedures can be implemented quickly as necessary.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review is also informed by reports made by external auditors and by the reviews and reports from the Office of the Commissioner for Public Appointments and their auditors. In addition the Commission's complaints procedure ensures that I am aware of particular issues that may be arising and that need acting upon.

The systems of internal control are maintained and reviewed on an ongoing basis as already described. A plan to address weaknesses and to continue improving controls is in place.

The Audit Committee on behalf of the Board maintains an overview of the risk register and of the overall progress that is being made in improving internal controls. The Committee monitors progress on the action plans that have been developed as a result of risk reviews and audit recommendations work to improve internal controls and risk management.

As this is a relatively small organisation, I have a high degree of contact with staff and am aware through such informal systems, as well as via the formal reporting structures, of particular issues that may be arising. Due to the size of the Commission, the relative simplicity of its procedures and limited number of objectives, reaction to events and changes to internal controls can be made without delay when necessary. Issues requiring board decision are dealt with at monthly board meetings and necessary actions passed back to staff promptly.



Susan Atkins

Interim Chief Executive

Dated: 18 July 2007

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Appointments Commission for the six months ending 31 March 2007 under the Health Act 2006. These comprise the Operating Cost Statement, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

The Chief Executive as Accounting Officer is responsible for preparing the Annual Report, the remuneration report and the financial statements in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the remuneration report to be audited have been properly prepared in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which includes the annual report and management commentary, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Appointments Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Appointments Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Appointments Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the remuneration report to be audited. It also includes an assessment of the significant

estimates and judgments made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Appointments Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the remuneration report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the remuneration report to be audited.

Opinions

Audit opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury, of the state of the Appointments Commission's affairs as at 31 March 2007 and of its net operating cost, total recognised gains and losses and cashflows for the six months then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health Act 2006 and directions made thereunder by the Secretary of State with the approval of HM Treasury; and
- information given within the Annual Report, which includes the annual report and management commentary, is consistent with the financial statements.

Audit opinion on regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

18 July 2007

Financial statements

Operating cost statement for the six months ended 31 March 2007

	Notes	31 March 2007 £000
Gross operating costs	2.1	3,383
Operating income	4	(778)
Net operating cost before interest		2,605
Interest payable		0
Net operating cost		2,605

All income and expenditure is derived from continuing operations.

Statement of Recognised Gains and Losses for the six months ended 31 March 2007

	Notes	31 March 2007 £000
Unrealised surplus/(deficit) on the revaluation of fixed assets	12.2	0
Unrealised surplus/(deficit) on the indexation of fixed assets	12.2	2
Receipt of Donated Assets		0
Fixed asset impairment losses	12.2	0
Prior period adjustment		0
Recognised gains and (losses) for the period		2

The notes at pages 71 to 83 form part of these accounts.

Balance Sheet as at 31 March 2007

	Notes	31 March 2007 £000
Fixed assets:		
Intangible assets	5.1	0
Tangible assets	5.2	58
		58
Current assets:		
Stocks	6	0
Debtors	7	1,212
Cash at bank and in hand	8	8
		1,220
Creditors: amounts falling due within one year	9.1	(782)
Net current assets/(liabilities)		438
Total assets less current liabilities		496
Creditors: amounts falling due after more than one year	9.2	0
Provisions for liabilities and charges	10	(304)
		192
Taxpayers' equity		
General reserve	12.1	180
Revaluation reserve	12.2	12
		192

The financial statements on pages 68 to 83 were approved by the Board on 13 June 2007 and signed by the Accounting Officer.

Signed



Susan Atkins
Accounting Officer

Dated 18 July 2007

Cash Flow Statement for the six months ended 31 March 2007

	Notes	31 March 2007 £000
Net cash (outflow) from operating activities	13	(3,089)
Servicing of finance		
Interest paid		0
Interest elements of finance leases		0
Net cash (outflow) from servicing finance		0
Capital expenditure and financial investment:		
(Payments) to acquire intangible fixed assets		0
(Payments) to acquire tangible fixed assets		0
Receipts from disposal of intangible fixed assets		0
Receipts from disposal of tangible fixed assets		0
Net cash inflow/(outflow) from investing activities		0
Net cash (outflow) before financing		(3,089)
Financing		
Net Parliamentary funding	12.1	3,080
Capital element of finance leases		0
Donations		0
Increase/(decrease) in cash in the period	8	(9)

The notes on pages 71 to 83 form part of these accounts.

Notes to the Accounts

1 Accounting policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual issued by HM Treasury. The particular accounting policies adopted by the Commission are described below. They have been consistently applied in dealing with items considered material in relation to the accounts.

1.1 Accounting conventions

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of tangible fixed assets, at their value to the business by reference to current cost. This is in accordance with directions issued by the Secretary of State for Health and approved by HM Treasury.

1.2 Income

Income is accounted for applying the accruals convention. The main source of funding for the Commission is Parliamentary grant from the Department of Health, within an approved cash limit, which is credited to the general fund. Parliamentary funding is recognised in the financial period in which it is received.

Operating income is income which relates directly to the operating activities of the Commission. It principally comprises fees and charges for services provided on a full-cost basis to external customers. These include appointment campaigns run for external bodies and charges to NHS organisations to support the Commission's development programme for non-executives. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.3 Taxation

The Commission is not liable to pay corporation tax. Expenditure is shown net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading or capitalised if it relates to an asset.

1.4 Capital charges

The treatment of fixed assets in the account is in accordance with the principal capital charges objective to ensure that such charges are fully reflected in the cost of capital. The interest rate applied to capital charges in the period was 3.5% on all assets less liabilities, except for cash balances with the Office of the Paymaster General, (OPG), where the charge is nil.

1.5 Fixed assets

a. Capitalisation

All assets falling into the following categories are capitalised:

- i Intangible assets where they are capable of being used for more than one year and have a cost, individually or as a group, equal to or greater than £5,000.
- ii Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred.

- iii Tangible assets which are capable of being used for more than one year, and they:
 - individually have a cost equal to or greater than £5,000;
 - collectively have a cost of at least £5,000 and an individual cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
 - form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

b. Valuation

Intangible fixed assets

Intangible fixed assets held for operational use are valued at historical cost, except Research and Development which is revalued using an appropriate index figure. Surplus intangible assets are valued at the net recoverable amount.

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

Tangible fixed assets

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

- i Operational equipment is valued at net current replacement costs through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.
- ii All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. All impairments resulting from price changes are charged to the Statement of Recognised Gains and Losses.

c. Depreciation and amortisation

Depreciation is charged on each individual fixed asset as follows:

- i Intangible assets are amortised, on a straight line basis, over the estimated lives of the assets.
- ii Purchased computer software licences are amortised over the shorter of the term of the licence and their useful economic lives.
- iii Each equipment asset is depreciated evenly over the expected useful life:

	Years
Furniture and fittings	10
Information technology	5

1.6 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods in intermediate stages of production.

1.7 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had the Authority not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, note 18 is compiled directly from the losses and compensations register which is prepared on a cash basis.

1.8 Pension costs

Past and present employees are covered by the provisions of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the Commission to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS17 purposes every four years. The last valuation took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers' contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions were based covered the period 1 April 1994 to 31 March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities. These accounts can be viewed on the NHS Pensions Agency website at www.nhs.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay with effect from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee can make contributions to enhance their pension benefits. The benefits payable relate directly to the value of the investments made.

Seconded staff

Past and present employees seconded from the Department of Health are covered by the provisions of the Civil Service Pension Schemes. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependent's benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment made by the Department to the Principal Civil Service Pension Schemes (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the department recognises the contributions payable for the year.

The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme

for the accounting period. A full actuarial valuation is carried out every four years the most recent was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions were payable to the PCSPS at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

1.9 Provisions

The Authority provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

2 Expenditure

2.1 Authority programme expenditure

	Notes	£000	31 March 2007 £000
Non-executive members' remuneration			97
Other salaries and wages	2.2		1,556
Supplies and services - general			3
Establishment expenses			136
Premises and fixed plant			196
External contractors			369
Training Programme			122
Capital: Depreciation and amortisation	5.1, 5.2	51	
Impairments (see note in 5.2)	5.2	52	
Capital charges interest		6	
			109
Auditor's remuneration: Audit Fees*			15
Advertising of vacancies			535
Costs of Interviews			237
Miscellaneous			8
			3,383

*The Commission did not make any payments to Auditors for non-audit work.

Details of the total expenditure split between the Commission's three main areas of work can be found in note 23.

2.2 Staff numbers and related costs

	March 2007 total £000	Permanently employed staff £000	Other £000
Salaries and wages	687	687	0
Social security costs	67	67	0
Employer contributions to NHSPA	78	78	0
Seconded staff	245	0	245
Redundancy costs	449	449	0
Agency staff	30	0	30
	1,556	1,281	275

The costs for seconded staff are the total amounts invoiced by the Department of Health which include salary and employers costs (pension and national insurance). Redundancy costs are for the redundancy and early retirement of eight members of staff on the closure of the London office.

The average number of employees during the period was:

	Total number	Permanently employed staff number	Other number
Total	58	48	10

Retirements due to ill-health

During the period there were no early retirements from the Commission on the grounds of ill-health.

2.3 Better Payment Practice Code - measure of compliance

	Number	£000
Total non-NHS bills paid in 6 months to 31 March 2007	1,983	2,612
Total non-NHS bills paid within target	1,492	2,214
Percentage of non NHS bills paid within target	75.2%	84.8%

	Number	£000
Total NHS bills paid in 6 months to 31 March 2007	42	568
Total NHS bills paid within target	30	398
Percentage of NHS bills paid within target	71.4%	70.1%

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

3 Financing

3.1 Reconciliation of net operating cost to financing received from the Department of Health

	31 March 2007 £000
Net operating cost	2,605
Financing received from the Department of Health	2,615
Underspend against financing received	10

Details of net operating costs split between the Commission's three areas of work can be found in note 23.

3.2 Reconciliation of gross capital expenditure to capital resource limit

The Commission had no capital expenditure or capital resource limit in the period.

4 Operating income

Operating income analysed by classification and activity, is as follows:

	Total £000
Programme income:	
Fees & charges to external customers	0
Income received from Scottish Parliament	0
Income received from National Assembly for Wales	0
Income received from Northern Ireland Assembly	0
Income received from other Departments, etc	778
Other	0
Total	778

5 Fixed assets

5.1 Intangible fixed assets

	Software licences £000	Total £000
Gross cost at 30 Sept 2006	19	19
Indexation	0	0
Impairments	0	0
Additions – purchased	0	0
Additions – donated	0	0
Reclassification	0	0
Disposals	0	0
Gross cost at 31 March 2007	19	19
Accumulated amortisation at 30 Sept 2006	18	18
Indexation	0	0
Impairments	0	0
Other revaluations	0	0
Charged during the period	1	1
Reclassification	0	0
Disposals	0	0
Accumulated amortisation at 31 March 2007	19	19
Net book value:		
Purchased at 30 Sept 2006	1	1
Donated at 30 Sept 2006	0	0
Total at 30 Sept 2006	1	1
Net book value:		
Purchased at 31 March 2007	0	0
Donated at 31 March 2007	0	0
Total at 31 March 2007	0	0

5.2 Tangible fixed assets

	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 30 Sept 2006	369	218	587
Additions – purchased	0	0	0
Additions – donated	0	0	0
Impairments	0	0	0
Reclassification	0	0	0
Indexation	0	3	3
Other in year revaluations	0	0	0
Disposals	0	(105)	(105)
Gross cost at 31 March 2007	369	116	485
Accumulated depreciation at 30 Sept 2006	332	97	429
Charged during the period	37	13	50
Impairments (see below)	0	52	52
Reclassification	0	0	0
Indexation	0	1	1
Other in year revaluation	0	0	0
Disposals	0	(105)	(105)
Accumulated depreciation at 31 March 2007	369	58	427
Net book value:			
Purchased at 30 Sept 2006	37	121	158
Donated at 30 Sept 2006	0	0	0
Total at 30 Sept 2006	37	121	158
Net book value:			
Purchased at 31 March 2007	0	58	58
Donated at 31 March 2007	0	0	0
Total at 31 March 2007	0	58	58

Disposals relate to the final write-off of assets remaining in London office at closure.

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	Total £000
Total as at 30 Sept 2006	0
Total as at 31 March 2007	0

The total amount of depreciation charged in the operating cost statement in respect of assets held under finance leases and hire purchase contracts:

	Total £000
Depreciation as at 30 Sept 2006	0
Depreciation as at 31 March 2007	0

6 Stocks and work-in-progress

Due to the nature of its business the Commission does not have stocks or work-in-progress.

7 Debtors

7.1 Amounts falling due within one year

	31 March 2007 £000
Trade debtors	1,019
Prepayments	37
Accrued income	156
Capital debtors	0
Other debtors	0
	1,212

7.2 Amounts falling due after more than one year

	£000
Trade debtors	0
Prepayments	0
Accrued income	0
Capital debtors	0
Sub total	0
Total debtors	1,212

The accrued income relates to national campaigns carried out by the Commission which are in progress at the year end. They are recharged to clients upon completion.

8 Analysis of changes in cash

	At 30 Sept 2006 £000	Change during the period £000	At 31 March 2007 £000
Cash at OPG	17	(9)	8
Cash at commercial banks and in hand	0	0	0
	17	(9)	8

9 Creditors

9.1 Amounts falling due within one year

	31 March 2007 £000
Overdrafts	0
Trade creditors	124
Tax and social security	0
VAT	66
Accruals & deferred income	592
	782

Deferred income (total £354k) relates to amounts collected specifically for the training programme but which are required to fund activities planned to occur in the following financial period.

9.2 Amounts falling due after more than one year

There are no amounts falling due after more than one year.

9.3 Finance lease obligations

There are no obligations under finance leases.

10 Provisions for liabilities and charges

	Legal £000	Other £000	Total £000
At 30 Sept 2006	0	40	40
Arising during the period	42	222	264
Utilised during the period	0	0	0
Reversed unused	0	0	0
Change in the discount rate	0	0	0
Unwinding of discount	0	0	0
At 31 March 2007	42	262	304

Expected timing of cash flows:			
Within 1 year	42	237	279
1-5 years	0	25	25
Over 5 years	0	0	0

Provisions relate to redundancies, ongoing legal cases and the regular decoration work required on office premises during and at the end of lease terms.

The redundancy provision is calculated using details of salary and length of service applied within the rules of the NHS scheme. This relates to staff who have been issued redundancy notices before 31 March 2007 but who are not to be made redundant until 2007/08.

The legal provision is based on advice of likely costs of ongoing cases provided by the Commission's solicitors.

Under the terms of the lease the office accommodation needs to be redecorated regularly and at the end of the lease term and consequently a sum is provided during each year of the lease towards this cost.

11 Movements in working capital other than cash

	31 March 2007 £000
Increase/(decrease) in debtors	731
(Increase)/decrease in creditors	126
	857

12 Movements on reserves

12.1 General reserve

	31 March 2007 £000
Balance at 30 Sept 2006	(303)
Net operating costs for the period	(2,605)
Net Parliamentary funding	3,080
Transfer of realised profits/losses from revaluation reserve	2
Non-cash items: capital charge interest	6
Balance at 31 March 2007	180

12.2 Revaluation reserve

	31 March 2007 £000
Balance at 30 Sept 2006	12
Impairments	0
Indexation of fixed assets	2
Revaluation of fixed assets	0
Transfer to general fund of realised elements of revaluation reserve	(2)
Balance at 31 March 2007	12

13 Reconciliation of operating costs to operating cash flows

	Note	31 March 2007 £000
Net operating cost before interest for the period		2,605
Adjust for non-cash transactions	2.1	(109)
Adjust for movements in working capital other than cash	11	857
(Increase)/decrease in provisions	10	(264)
Transfer from donated asset reserve		0
Net cash outflow from operating activities		3,089

14 Contingent liabilities

At 31 March 2007 there were no known contingent liabilities.

15 Capital commitments

At 31 March 2007 there were no contracted capital commitments.

16 Commitments under operating leases

Expenses of the Commission in the period include the following in respect of hire and operating lease rentals:

	31 March 2007 £000
Hire of plant and machinery	3
Other operating leases	58
	61

Commitments under non-cancellable operating leases:

Commitments under operating leases to pay rentals during the year following the end of the six month period of these accounts are given in the table below, analysed according to the period in which the lease expires.

	£000
Land and buildings	
Operating leases which expire:	
within 1 year	0
between 1 and 5 years	0
after 5 years	93
	93
Other leases	
Operating leases which expire:	
within 1 year	2
between 1 and 5 years	1
after 5 years	0
	3

17 Other commitments

The Commission has entered into non-cancellable contracts (which are not operating leases) for the provision of support services totalling £82,000 per annum as at 31 March 2007.

18 Losses and special payments

There were no losses or special payments.

19 Related parties

The Commission is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a controlling related party. During the year the Commission has had a significant number of material transactions with the Department.

Eight of the Commission's staff were seconded from the Department of Health. The costs of these staff are recharged to the Commission. The costs for the period for these staff totalled £245k. Since March 2007 the Commission has also had one secondee from the Home Office.

The Commission has carried out board recruitment campaigns for national bodies on behalf of the Department of Health during the year. The costs associated with these campaigns are recharged to the Department upon completion of the campaign and totalled £418k for the period. Work in progress, and uninvoiced at the period end totalled £156k.

20 Post balance sheet events

There are no material post balance sheet events. This Annual Report and Accounts has been authorised for issue on 18 July 2007 by the Appointments Commission Interim Chief Executive and Accounting Officer.

21 Financial instruments

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the way it is financed, the Commission is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The Commission has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Commission in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than from the currency profile.

21.1 Liquidity risk

The Commission's net operating costs are financed from resources voted annually by Parliament and is not, therefore, exposed to significant liquidity risks.

21.2 Interest-rate risk

All of the Commission's financial assets and liabilities carry nil or fixed rates of interest. The Appointments Commission is not, therefore, exposed to significant interest-rate risk.

21.3 Foreign currency risk

The Commission has no foreign currency income or expenditure.

21.4 Fair values

Fair values are not significantly different from book values and therefore no additional disclosure is required.

22 Intra-government balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
31 March 2007				
Balances with other central government bodies	606	0	169	0
Balances with local authorities	0	0	0	0
Balances with NHS Trusts	568	0	355	0
Balances with public corporations and trading funds	0	0	0	0
Balances with bodies external to government	38	0	258	0
	1212	0	782	0

23 Analysis of the Appointments Commission's activities

As the Commission carries out work which is funded in a variety of ways the following details explain the funding of the three main areas of the Commission's activities.

The activities included under "NHS Appointments" comprise the work the Commission carries out in order to make appointments to NHS Trusts, Primary Care Trusts and Strategic Health Authorities.

Training and development work is funded by the levy on all NHS organisations. As this income is received for specific purposes then any amounts intended to fund activities to be delivered in the next financial period are deferred into that period.

National campaigns are carried out in order to make appointments to the boards of national NHS bodies and boards of Other Government Departments.

Six months to 31 March 2007	NHS appointments £000	Training and development £000	National campaigns £000	Total £000
Six months to 31 March 2007				
Net operating cost	2,607	318	458	3,383
Operating income	(2)	(318)	(458)	(778)
Net operating cost	2,605	0	0	2,605
Financing from Dept of Health	2,615	0	0	2,615
Underspend	10	0	0	10

Appendix 1

Summary of income and expenditure for the 12 months ended 31 March 2007

The following information summarises the combined activities of the Commission over the whole year 2006/07.

It is provided for information only and does not form part of the audited accounts.

Summary	6 months to 30 Sept 2006 £'000	6 months to 31 March 2007 £'000	2006/07 Total £'000	2005/06 Total £'000
Funding/Income				
Department of Health allocation	2,585	2,615	5,200	4,156
Other income	551	778	1,329	1,373
Sub-total	<u>3,136</u>	<u>3,393</u>	<u>6,529</u>	5,529
Expenditure				
NHS local appointments	2,593	2,607	5,200	4,158
National appointments	340	458	798	589
Training activities	203	318	521	780
	<u>3,136</u>	<u>3,383</u>	<u>6,519</u>	5,527
Out-turn	<u>0</u>	<u>10</u>	<u>10</u>	2
Analysis of expenditure				
Non-executive members' remuneration	111	97	208	229
Other salaries and wages	1,043	1,556	2,599	2,043
Supplies and services – general	3	3	6	8
Establishment expenses	220	136	356	360
Premises and fixed plant	266	196	462	525
External contractors	413	369	782	564
Training programme	17	122	139	344
Capital: depreciation and amortisation	50	51	101	99
impairments	0	52	52	0
capital charges interest	0	6	6	8
Auditor's remuneration: audit fees*	15	15	30	20
Advertising of vacancies	687	535	1,222	1,077
Costs of interviews	269	237	506	206
Miscellaneous	42	8	50	44
	<u>3,136</u>	<u>3,383</u>	<u>6,519</u>	5,527

* The Commission did not make any payments to Auditors for non-audit work.



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